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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark one)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

1-14037

Commission file number

MOODY'S CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**13-3998945**
(State of Incorporation)	(I.R.S. Employer Identification No.)
99 CHURCH STREET, NEW YORK, N.Y.	**10007**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (212) 553-0300

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [x] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes [x] No [ ]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Title of Class	Shares Outstanding at June 30, 2004
Common Stock, par value $0.01 per share	147.8 million

MOODY'S CORPORATION

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

MOODY’S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	**2003**	**2004**	**2003**
Revenue	$357.6	$312.7	$688.8	$590.9
Expenses				
Operating, selling, general and administrative	149.4	128.1	289.4	249.4
Depreciation and amortization	8.7	7.9	17.0	15.7
Total expenses	158.1	136.0	306.4	265.1
Operating income	199.5	176.7	382.4	325.8
Interest and other non-operating (expense) income, net	(6.4)	(4.2)	(11.4)	3.8
Income before provision for income taxes	193.1	172.5	371.0	329.6
Provision for income taxes	89.6	71.6	164.0	136.8
Net income	$103.5	$100.9	$207.0	$192.8
Earnings per share				
Basic	$ 0.70	$ 0.68	$ 1.39	$ 1.30
Diluted	$ 0.68	$ 0.66	$ 1.36	$ 1.27
Weighted average shares outstanding				
Basic	148.9	148.8	149.0	148.4
Diluted	152.1	152.4	152.2	151.7

The accompanying notes are an integral part of the condensed consolidated financial statements.

MOODY'S CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(DOLLAR AMOUNTS IN MILLIONS, EXCEPT PER SHARE DATA)

	June 30, 2004	December 31, 2003
Assets		
Current assets:		
Cash and cash equivalents	$ 332.3	$ 269.1
Accounts receivable, net of allowances of $14.8 in 2004 and $15.9 in 2003	295.8	270.3
Other current assets	26.6	29.6
Total current assets	654.7	569.0
Property and equipment, net	46.3	46.8
Prepaid pension costs	59.9	60.2
Goodwill	127.1	126.4
Intangible assets, net	74.0	77.4
Other assets	39.3	61.6
Total assets	$1,001.3	$ 941.4
Liabilities and shareholders' equity (deficit)		
Current liabilities:		
Accounts payable and accrued liabilities	$ 181.9	$ 217.5
Deferred revenue	248.0	214.6
Total current liabilities	429.9	432.1
Non-current portion of deferred revenue	47.6	41.1
Notes payable	300.0	300.0
Other liabilities	161.7	200.3
Total liabilities	939.2	973.5
Contingencies (Note 8)		
Shareholders' equity (deficit)		
Preferred stock, par value $ .01 per share; 10,000,000 shares authorized; no shares issued	—	—
Series common stock, par value $ .01 per share; 10,000,000 shares authorized; no shares issued	—	—
Common stock, par value $ .01 per share; 400,000,000 shares authorized; 171,451,136 shares issued at June 30, 2004 and December 31, 2003	1.7	1.7
Capital surplus	110.1	76.4
Retained earnings	743.5	558.9
Treasury stock, at cost; 23,682,921 and 22,779,500 shares of common stock at June 30, 2004 and December 31, 2003, respectively	(800.2)	(677.2)
Other comprehensive income	7.0	8.1
Total shareholders' equity (deficit)	62.1	(32.1)
Total liabilities and shareholders' equity (deficit)	$1,001.3	$ 941.4

The accompanying notes are an integral part of the condensed consolidated financial statements.

MOODY'S CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(AMOUNTS IN MILLIONS)

	Six Months Ended June 30,	
	2004	2003
Cash flows from operating activities		
Net income	$ 207.0	$ 192.8
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	17.0	15.7
Stock-based compensation expense	12.4	4.9
Tax benefits from exercise of stock options	27.1	14.6
Additional minimum pension liability	(0.3)	—
Write-off of investment in affiliate	0.5	—
Write-off of computer software, property and equipment	—	0.2
Changes in assets and liabilities:		
Accounts receivable	(25.1)	(58.9)
Other current assets	3.5	4.5
Prepaid pension costs	0.3	(0.7)
Other assets	24.2	(0.4)
Accounts payable and accrued liabilities	(38.6)	(38.2)
Deferred revenue	40.0	36.1
Other liabilities	(38.5)	9.1
Net cash provided by operating activities	229.5	179.7
Cash flows from investing activities		
Capital additions	(11.4)	(8.8)
(Cash paid for) cash acquired in investments in affiliates	(3.1)	1.1
Net cash used in investing activities	(14.5)	(7.7)
Cash flows from financing activities		
Net repayments of bank borrowings	—	(107.1)
Proceeds from stock plans	57.2	37.3
Cost of treasury shares repurchased	(186.2)	(50.5)
Payment of dividends	(22.4)	(13.3)
Payments under capital lease obligations	(0.6)	(0.6)
Net cash used in financing activities	(152.0)	(134.2)
Effect of exchange rate changes on cash and cash equivalents	0.2	3.5
Increase in cash and cash equivalents	63.2	41.3
Cash and cash equivalents, beginning of the period	269.1	39.9
Cash and cash equivalents, end of the period	$ 332.3	$ 81.2

The accompanying notes are an integral part of the condensed consolidated financial statements.

MOODY'S CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. DESCRIPTION OF BUSINESS AND BASIS OF PRESENTATION

Moody's Corporation ("Moody's" or the "Company") is a provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets and a provider of quantitative credit assessment services, credit training services and credit process software to banks and other financial institutions. Moody's operates in two reportable segments: Moody's Investors Service and Moody's KMV. Moody's Investors Service publishes rating opinions on a broad range of credit obligations issued in domestic and international markets, including various corporate and governmental obligations, structured finance securities and commercial paper programs as well as rating opinions on issuers of credit obligations. It also publishes investor-oriented credit research, including in-depth research on major issuers, industry studies, special comments and credit opinion handbooks. The Moody's KMV business, which consists of the combined businesses of KMV LLC and KMV Corporation ("KMV"), acquired in April 2002, and Moody's Risk Management Services, develops and distributes quantitative credit assessment services for banks and investors in credit-sensitive assets, credit training services and credit process software.

The Company operated as part of The Dun & Bradstreet Corporation ("Old D&B") until September 30, 2000 (the "Distribution Date"), when Old D&B separated into two publicly traded companies — Moody's Corporation and The New D&B Corporation ("New D&B"). At that time, Old D&B distributed to its shareholders shares of New D&B stock. New D&B comprised the business of Old D&B's Dun & Bradstreet operating company (the "D&B Business"). The remaining business of Old D&B consisted solely of the business of providing credit ratings and related research and credit risk management services (the "Moody's Business") and was renamed "Moody's Corporation". The method by which Old D&B distributed to its shareholders its shares of New D&B stock is hereinafter referred to as the "2000 Distribution".

These interim financial statements have been prepared in accordance with the instructions to Form 10-Q and should be read in conjunction with the Company's consolidated financial statements and related notes in the Company's 2003 annual report on Form 10-K filed with the Securities and Exchange Commission on March 12, 2004. The results of interim periods are not necessarily indicative of results for the full year or any subsequent period. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of financial position, results of operations and cash flows at the dates and for the periods presented have been included. Certain prior year amounts have been reclassified to conform to the current year presentation.

2. STOCK-BASED COMPENSATION

In 2002 and prior years, the Company measured the cost of stock-based compensation using the intrinsic value approach under Accounting Principles Board ("APB") Opinion No. 25 rather than applying the fair value method provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation" as amended by SFAS No. 148, "Accounting for Stock-Based Compensation — Transition and Disclosure — an amendment of FASB Statement No. 123". Accordingly, the Company did not recognize compensation expense related to grants of employee stock options and shares issued to participants in its employee stock purchase plan.

On January 1, 2003, the Company adopted, on a prospective basis, the fair value method of accounting for stock-based compensation under SFAS No. 123. Therefore, employee stock options granted on and after January 1, 2003 are being expensed by the Company over the option vesting period, based on the estimated fair value of the award on the date of grant. In addition, shares issued to participants in the Company's employee stock purchase plan are being expensed by the Company based on the discount from the market price received by the participants.

The condensed consolidated statements of operations include compensation expense in the following amounts, related to stock options granted, restricted stock granted and stock issued under the employee stock purchase plan since January 1, 2003: for the three and six month periods ended June 30, 2004, $7.2 million and $12.4 million, respectively; and for the three and six month periods ended June

30, 2003, $3.1 million and $5.0 million, respectively. In addition, the 2004 and 2003 expense is less than that which would have been recognized if the fair value method had been applied to all awards since the original effective date of SFAS No. 123 rather than being applied prospectively. Had the Company determined such stock-based compensation expense using the fair value method provisions of SFAS No. 123 since its original effective date, Moody's net income and earnings per share would have been reduced to the pro forma amounts shown below.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(in millions, except per share data)			
Net income:				
As reported	$103.5	$100.9	$207.0	$192.8
Add: Stock-based compensation plan expense included in reported net income, net of tax	4.4	1.9	7.5	3.1
Deduct: Stock-based compensation plan expense determined under the fair value method, net of tax	(7.6)	(5.5)	(13.9)	(10.5)
Pro forma net income	$100.3	$ 97.3	$200.6	$185.4
Basic earnings per share:				
As reported	$ 0.70	$ 0.68	$ 1.39	$ 1.30
Pro forma	$ 0.67	$ 0.65	$ 1.35	$ 1.25
Diluted earnings per share:				
As reported	$ 0.68	$ 0.66	$ 1.36	$ 1.27
Pro forma	$ 0.67	$ 0.65	$ 1.33	$ 1.24

The pro forma disclosures shown above are not representative of the effects on net income and earnings per share in future years.

The fair value of stock options used to compute the pro forma net income and earnings per share disclosures is the estimated present value at grant date using the Black-Scholes option-pricing model. The following weighted average assumptions were used for options granted during the six months ended June 30, 2004 and 2003 and the three months ended June 30, 2004. There were no options issued during the three months ended June 30, 2003.

	Three Months Ended June 30,	Six Months Ended June 30,	
	2004	2004	2003
Expected dividend yield	0.46%	0.46%	0.41%
Expected stock volatility	30%	30%	30%
Risk-free interest rate	2.96%	3.23%	3.03%
Expected holding period	5 yrs	5 yrs	5 yrs

The estimated weighted average fair value of Moody's options granted during the six months ended June 30, 2004 and 2003 was $19.97 and $13.01, respectively. The estimated weighted average fair value of Moody's options granted during the three months ended June 30, 2004 was $21.40.

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3. RECONCILIATION OF WEIGHTED AVERAGE SHARES OUTSTANDING

Below is a reconciliation of basic weighted average shares outstanding to diluted weighted average shares outstanding:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(in millions)			
Weighted average number of shares — Basic	148.9	148.8	149.0	148.4
Dilutive effect of shares issuable under stock-based compensation plans	3.2	3.6	3.2	3.3
Weighted average number of shares — Diluted	152.1	152.4	152.2	151.7

Options to purchase 5.7 million common shares in each of the 2004 periods shown above, and 3.5 million common shares in each of the 2003 periods, were outstanding but were not included in the computation of diluted weighted average shares outstanding because they were antidilutive.

4. ACQUISITIONS

Korea Investors Service

In August 1998, the Company made a 10% cost-basis investment in Korea Investors Service ("KIS"), a Korean rating agency. In December 2001, the Company entered into a definitive agreement to increase its investment to just over 50%, at a cost of $9.6 million with a contingent payment of up to 6.9 billion Korean Won (approximately $6.0 million as of June 30, 2004) in 2005, based on KIS net income for the three-year period ended December 31, 2004.

During the first quarter of 2004, KIS increased its ownership in an equity-basis investment to just over 50%, at a cost of 0.6 billion Korean Won, net of cash acquired (approximately $0.6 million). As a result, starting in March 2004 this entity was being consolidated in Moody's financial statements and $0.7 million of goodwill was recorded related to this entity.

5. GOODWILL AND OTHER INTANGIBLE ASSETS

The following table summarizes the activity in goodwill for the periods indicated (in millions):

	Six Months Ended June 30, 2004			Year Ended December 31, 2003		
	Moody's Investors Service	Moody's KMV	Consolidated	Moody's Investors Service	Moody's KMV	Consolidated
Beginning balance	$ 2.3	$124.1	$126.4	$ 2.3	$124.0	$126.3
Net change from acquisitions	0.7	—	0.7	—	—	—
Other	—	—	—	—	0.1	0.1
Ending balance	$ 3.0	$124.1	$127.1	$ 2.3	$124.1	$126.4

The following table summarizes intangible assets subject to amortization at the dates indicated:

	June 30, 2004	December 31, 2003
	(in millions)	
Customer lists (11.3 year original weighted average life)	$ 57.8	$ 57.8
Accumulated amortization	(13.3)	(10.6)
Net customer lists	$ 44.5	$ 47.2
Other intangible assets (5.6 year original weighted average life)	$ 8.2	$ 8.2
Accumulated amortization	(4.2)	(3.5)
Net other intangible assets	$ 4.0	$ 4.7
Total	$ 48.5	$ 51.9

Amortization expense for intangible assets subject to amortization in each of the six month periods ended June 30, 2004 and 2003 was $3.5 million.

Estimated future annual amortization expense for intangible assets subject to amortization is as follows:

Years Ending December 31,	
	(in millions)
2004 (after June 30)	$ 3.5
2005	6.5
2006	6.2
2007	5.5
2008	4.5
Thereafter	22.3

As of June 30, 2004, $25.5 million in trade secrets acquired with the April 2002 acquisition of KMV were not subject to amortization. Current circumstances and conditions continue to support an indefinite useful life.

6. PENSION AND OTHER POST-RETIREMENT BENEFITS

Moody’s maintains both funded and unfunded noncontributory defined benefit pension plans in which substantially all U.S. employees of the Company are eligible to participate. The plans provide defined benefits using a cash balance formula based on years of service and career average salary.

The Company also provides certain healthcare and life insurance benefits for retired U.S. employees. The health care plans are contributory with participants’ contributions adjusted annually; the life insurance plans are noncontributory. The accounting for the health care plans anticipates future cost-sharing changes to the written plans that are consistent with Moody’s expressed intent to fix the Company’s share of costs and require retirees to pay for all future increases in plan costs in excess of the amount of the per person company contribution in the year 2005.

Effective at the Distribution Date, Moody’s assumed responsibility for pension and other post-retirement benefits relating to its active employees. New D&B has assumed responsibility for the Company’s retirees and vested terminated employees as of the Distribution Date.

Following are the components of net periodic expense related to pension and other post-retirement plans for the three and six months ended June 30, 2004 and 2003 (in millions):

	Pension Plans		Other Post-Retirement Plans	
	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003	Three Months Ended June 30, 2004	Three Months Ended June 30, 2003
Components of net periodic expense				
Service cost	$ 2.0	$ 3.4	$ 0.1	$ 0.1
Interest cost	1.4	2.0	0.1	0.1
Expected return on plan assets	(2.0)	(5.1)	—	—
Amortization of net actuarial loss from earlier periods	0.3	0.3	—	—
Amortization of unrecognized prior service costs	—	0.1	—	0.1
Net periodic expense	$ 1.7	$ 0.7	$ 0.2	$ 0.3

	Pension Plans		Other Post-Retirement Plans	
	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003	Six Months Ended June 30, 2004	Six Months Ended June 30, 2003
Components of net periodic expense				
Service cost	$ 4.1	$ 4.0	$ 0.3	$ 0.3
Interest cost	2.6	2.4	0.2	0.3
Expected return on plan assets	(4.0)	(5.6)	—	—
Amortization of net actuarial loss from earlier periods	0.7	0.5	—	—
Amortization of unrecognized prior service costs	0.1	0.1	—	0.1
Net periodic expense	$ 3.5	$ 1.4	$ 0.5	$ 0.7

As of June 30, 2004, Moody’s has made $0.1 million of contributions to its other post-retirement plans. The Company presently anticipates contributing an additional $0.1 million in 2004 for a total of $0.2 million.

In May 2004, the Financial Accounting Standards Board (“FASB”) issued FASB Staff Position (“FSP”) No. FAS 106-2, “Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act (“the Act”) of 2003” which supersedes FSP FAS 106-1 of the same title. The Staff Position clarifies the accounting for the benefits attributable to new government subsidies for companies that provide prescription drug benefits to retirees. In accordance with FSP FAS 106-1, the Company elected to defer accounting for the economic effects of the new Medicare Act. Accordingly, any measures of the accumulated post-retirement benefit obligation or net periodic post-retirement benefit cost in the financial statements or accompanying notes do not reflect the effect of the subsidy because the Company is in the process of evaluating the effects of the Act on its post-retirement benefits.

7. INDEBTEDNESS

In connection with the 2000 Distribution, Moody’s was allocated $195.5 million of debt at September 30, 2000. Moody’s funded this debt with borrowings under a $160 million unsecured bank revolving credit facility and a bank bridge line of credit.

On October 3, 2000 the Company issued $300 million of notes payable (the “Notes”) in a private placement. The cash proceeds from the Notes were used in part to repay the outstanding balance on the revolving credit facility and to repay the bridge line of credit. The Notes have a five-year term and bear interest at an annual rate of 7.61%, payable semi-annually. In the event that Moody’s pays all or part of the Notes in advance of their maturity (the “prepaid principal”), such prepayment will be subject to a penalty calculated based on the excess, if any, of the discounted value of the remaining scheduled payments, as defined in the agreement, over the prepaid principal. Interest paid under the Notes was $5.7 million for each of the three month periods ended June 30, 2004 and 2003 and $11.4 million for each of the six month periods ended June 30, 2004 and 2003.

The revolving credit facility (the “Facility”), which had no borrowings outstanding as of June 30, 2004, consists of an $80 million 5-year facility that expires in September 2005 and an $80 million 364-day facility that expires in September 2004. Interest on borrowings under the 5-year facility is payable at rates that are based on the London InterBank Offered Rate (“LIBOR”) plus a premium that can range from 18 basis points to 50 basis points depending on the Company’s ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization (“Earnings Coverage Ratio”), as defined in the related agreement. At June 30, 2004, such premium was 18 basis points. Interest on borrowings under the 364-day facility is payable at rates that are based on LIBOR plus a premium of 30.5 basis points. The Company also pays annual facility fees, regardless of borrowing activity under the Facility. The annual fees for the 5-year facility can range from 7 basis points of the facility amount to 12.5 basis points, depending on the Company’s Earnings Coverage Ratio, and were 7 basis points at June 30, 2004. The annual fees for the 364-day facility are 7 basis points. Under each facility, the Company also pays a utilization fee of 12.5 basis points on borrowings outstanding when the aggregate amount outstanding under such facility exceeds 33% of the facility. Interest paid under the Facility for the three and six months ended June 30, 2003 was $0.2 million and $0.6 million, respectively. No interest was paid under the Facility for the three and six months ended June 30, 2004 as no borrowings were outstanding during those periods.

The Notes and the Facility (the “Agreements”) contain covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the lenders, to engage in mergers, consolidations, asset sales and sale-leaseback transactions or to incur liens. The Notes and the Facility also contain financial covenants that, among other things, require the Company to maintain an interest coverage ratio, as defined in the Agreements, of not less than 3 to 1, and an Earnings Coverage Ratio, as defined in the Agreements, of not more than 4 to 1. At June 30, 2004, the Company was in compliance with such covenants. If an event of default were to occur (as defined in the Agreements) and was not remedied by the Company within the stipulated timeframe, an acceleration of the Notes and restrictions on the use of the Facility could occur.

Moody’s total interest expense was $5.8 million in each of the three months ended June 30, 2004 and 2003 and $11.5 million and $12.0 million, respectively, for the six months ended June 30, 2004 and 2003. Total interest income on cash and cash equivalents was $1.1 million and $0.3 million, respectively, for the three months ended June 30, 2004 and 2003 and $2.2 million and $0.5 million, respectively, for the six months ended June 30, 2004 and 2003.

8. CONTINGENCIES

From time to time, Moody’s is involved in legal and tax proceedings, claims and litigation that are incidental to the Company’s business, including claims based on ratings assigned by Moody’s. Management periodically assesses the Company’s liabilities and contingencies in connection with these matters, based upon the latest information available. For those matters where the probable amount of loss can be reasonably estimated, the Company believes it has recorded appropriate reserves in the consolidated financial statements and periodically adjusts these reserves as appropriate. In other instances, because of the uncertainties related to both the probable outcome and amount or range of loss, management is unable to make a reasonable estimate of a liability, if any. As additional information becomes available, the Company adjusts its assessments and estimates of such liabilities accordingly.

Based on its review of the latest information available, in the opinion of management, the ultimate liability of the Company in connection with pending legal and tax proceedings, claims and litigation will not have a material adverse effect on Moody’s financial position, results of operations or cash flows, subject to the contingencies described below.

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Legacy Contingencies

To understand the Company's exposure to the potential liabilities described below, it is important to understand the relationship between Moody's and New D&B, and the relationship among New D&B and its predecessors and other parties who, through various corporate reorganizations and related contractual commitments, have assumed varying degrees of responsibility with respect to such matters.

In November 1996, The Dun & Bradstreet Corporation through a spin-off separated into three separate public companies: The Dun & Bradstreet Corporation, ACNielsen Corporation ("ACNielsen") and Cognizant Corporation ("Cognizant") (the "1996 Distribution"). Under the terms of the distribution agreement relating to the 1996 Distribution, each party thereto is prohibited from distributing to its stockholders any business that had been allocated to it in connection with the 1996 Distribution, unless the distributed business delivers an undertaking agreeing to be jointly and severally liable to the other parties under the 1996 distribution agreement for the liabilities of the distributing parent company under the 1996 distribution agreement.

In June 1998, The Dun & Bradstreet Corporation through a spin-off separated into two separate public companies: The Dun & Bradstreet Corporation and R.H. Donnelley Corporation ("Donnelley") (the "1998 Distribution"). During 1998, Cognizant through a spin-off separated into two separate public companies: IMS Health Incorporated ("IMS Health") and Nielsen Media Research, Inc. ("NMR"). In September 2000, The Dun & Bradstreet Corporation ("Old D&B") through a spin-off separated into two separate public companies: New D&B and Moody's, as further described in note 1 to the condensed consolidated financial statements.

Information Resources, Inc.

The following is a description of an antitrust lawsuit filed in 1996 by Information Resources, Inc. ("IRI"). As more fully described below, VNU N.V., a publicly traded Dutch company, and its U.S. subsidiaries, VNU, Inc., ACNielsen Corporation ("ACNielsen"), AC Nielsen (US), Inc. ("ACN (US)"), and Nielsen Media Research, Inc. ("NMR") (collectively, the "VNU Parties"), have assumed exclusive joint and several liability for any judgment or settlement of this antitrust lawsuit. As a result of the indemnity obligation, Moody's does not have any exposure to a judgment or settlement of this lawsuit unless the VNU Parties default on their obligations. However, in the event of such a default, contractual commitments undertaken by Moody's in connection with various corporate reorganizations since 1996 would require the Company to bear a portion of any amount not paid by the VNU Parties.

In July 1996, IRI filed a complaint, subsequently amended in 1997, in the U.S. District Court for the Southern District of New York, naming as defendants the corporation then known as The Dun & Bradstreet Corporation, A.C. Nielsen Company (a subsidiary of ACNielsen) and IMS International, Inc. (a subsidiary of the company then known as Cognizant). At the time of the filing of the complaint, each of the other defendants was a subsidiary of The Dun & Bradstreet Corporation.

The amended complaint alleges various violations of United States antitrust laws under Sections 1 and 2 of the Sherman Act. The amended complaint also alleges a claim of tortious interference with a contract and a claim of tortious interference with a prospective business relationship. These claims relate to the acquisition by defendants of Survey Research Group Limited ("SRG"). IRI alleged SRG violated an alleged agreement with IRI when it agreed to be acquired by defendants and that defendants induced SRG to breach that agreement.

IRI's antitrust claims allege that defendants developed and implemented a plan to undermine IRI's ability to compete within the United States and foreign markets in North America, Latin America, Asia, Europe and Australia/New Zealand through a series of anti-competitive practices, including: unlawfully tying/bundling services in the markets in which defendants allegedly had monopoly power with services in markets in which ACNielsen competed with IRI; entering into exclusionary contracts with retailers in certain countries to deny IRI's access to sales data necessary to provide retail tracking services or to artificially raise the cost of that data; predatory pricing; acquiring foreign market competitors with the intent of impeding IRI's efforts to expand; disparaging IRI to financial analysts and clients; and denying IRI access to capital necessary for it to compete.

IRI’s amended complaint originally alleged damages in excess of $350 million, which IRI asked to be trebled under antitrust laws. IRI has since revised its allegation of damages to exceed $650 million, which IRI also asked to be trebled. IRI has filed with the court the report of its expert who has opined that IRI suffered damages of between $581.6 million and $651.7 million from the defendants’ alleged practices. IRI also sought punitive damages in an unspecified amount.

In April 2003, the court denied a motion for partial summary judgment by defendants that sought to dismiss certain of IRI’s claims and granted in part a motion by IRI seeking reconsideration of certain summary judgment rulings the Court had previously made in favor of defendants. The motion granted by the Court concerns IRI’s claims of injuries from defendants’ alleged conduct in certain foreign markets.

Pursuant to a scheduling order entered by the Court on April 8, 2004, discovery is scheduled to end on November 1, 2004, and trial is scheduled to begin on April 18, 2005.

On June 21, 2004, pursuant to a stipulation between IRI and defendants, the Court ordered that certain of IRI’s claims be dismissed with prejudice from the lawsuit, including the claims that defendants tortiously interfered with the SRG acquisition. The Company believes that the dismissal of the tortious interference claims also precludes any claim for punitive damages.

In connection with the 1996 Distribution, NMR (then known as Cognizant Corporation), ACNielsen and Donnelley (then known as The Dun & Bradstreet Corporation) entered into an Indemnity and Joint Defense Agreement (the “Original Indemnity and Joint Defense Agreement”), pursuant to which they agreed to:

- allocate potential liabilities that may relate to, arise out of or result from the IRI lawsuit (“IRI Liabilities”); and
- conduct a joint defense of such action.

In particular, the Original Indemnity and Joint Defense Agreement provided that:

- ACNielsen would assume exclusive liability for IRI Liabilities up to a maximum amount to be calculated at such time as such liabilities became payable as a result of a final non-appealable judgment or any settlement permitted under the Original Indemnity and Joint Defense Agreement (the “ACN Maximum Amount”); and
- Donnelley and NMR would share liability equally for any amounts in excess of the ACN Maximum Amount.

The Original Indemnity and Joint Defense Agreement also provided that if it becomes necessary to post any bond pending an appeal of an adverse judgment, then NMR and Donnelley shall obtain the bond required for the appeal, and each shall pay 50% of the costs of such bond, if any, which cost will be added to IRI Liabilities.

In 2001, ACNielsen was acquired by VNU N.V., which assumed ACNielsen’s obligations under the Original Indemnity and Joint Defense Agreement. Pursuant to the Original Indemnity and Joint Defense Agreement, VNU N.V. was to be included with ACNielsen for purposes of determining the ACN Maximum Amount.

In connection with the 1998 Distribution, Old D&B and Donnelley (then known as The Dun & Bradstreet Corporation) entered into an agreement (the “1998 Distribution Agreement”) whereby Old D&B assumed all potential liabilities of Donnelley arising from the IRI action and agreed to indemnify Donnelley in connection with such potential liabilities. Under the terms of the 2000 Distribution, New D&B undertook to be jointly and severally liable with Moody’s for Old D&B’s obligations to Donnelley under the 1998 Distribution Agreement, including any liabilities arising under the Original Indemnity and Joint Defense Agreement, and any liabilities arising from the IRI action itself. However, as between New D&B and Moody’s, it was agreed that under the 2000 Distribution, each of New D&B and Moody’s will be responsible for 50% of any payments required to be made to or on behalf of Donnelley with respect to the IRI action under the terms of the 1998 Distribution Agreement, including legal fees or expenses related to the IRI action.

On July 30, 2004, the VNU Parties, Donnelley, Moody’s, New D&B and IMS Health entered into an Amended and Restated Indemnity and Joint Defense Agreement (the “Amended Indemnity and Joint Defense Agreement”).

Pursuant to the Amended Indemnity and Joint Defense Agreement, any and all IRI Liabilities incurred by Donnelley, Moody’s, New D&B or IMS Health relating to a judgment (even if not final) or any settlement entered into in the IRI action will be jointly and severally assumed, and fully discharged, exclusively by the VNU Parties. Under the Amended Indemnity and Joint Defense Agreement, the VNU Parties have agreed to, jointly and severally, indemnify Donnelley, Moody’s, New D&B and IMS Health from and against all IRI Liabilities to which they become subject. As a result, the concept of “ACN Maximum Amount” which used to cap ACNielsen’s liability for the IRI Liabilities no longer exists and all such liabilities are the responsibility of the VNU Parties pursuant to the Amended Indemnity and Joint Defense Agreement.

In addition, the Amended Indemnity and Joint Defense Agreement provides that if it becomes necessary to post any bond pending an appeal of an adverse judgment, the VNU Parties shall obtain the bond required for the appeal and shall pay the full cost of such bond.

In connection with entering into the Amended Indemnity and Joint Defense Agreement, Donnelley, Moody’s, New D&B and IMS Health agreed to amend certain covenants of the Original Indemnity and Joint Defense Agreement to provide operational flexibility for ACNielsen going forward. In addition, the Amended Indemnity and Joint Defense Agreement includes certain amendments to the covenants of ACNielsen (which, under the Amended Indemnity and Joint Defense Agreement, are now also applicable to ACN (US)), which are designed to preserve such parties’ claims-paying ability and protect Donnelley, Moody’s, New D&B and IMS Health. Among other covenants, ACNielsen and ACN (US) agreed that neither they nor any of their respective subsidiaries will incur any indebtedness to any affiliated person, except indebtedness which its payment will, after a payment obligation under the Amended Indemnity and Joint Defense Agreement comes due, be conditioned on, and subordinated to, the payment and performance of the obligations of such parties under the Amended Indemnity and Joint Defense Agreement. VNU N.V. has agreed to having a process agent in New York to receive on its behalf service of any process concerning the Amended Indemnity and Joint Defense Agreement.

As described above, the VNU Parties have assumed exclusive responsibility for the payment of all IRI Liabilities. Provided that the VNU Parties are able to fulfill their obligations under the Amended Indemnity and Joint Defense Agreement, and that they ultimately do fulfill such obligations, Moody’s believes that the resolution of the IRI action should not materially affect the Company’s financial position, results of operations, or cash flows.

However, because liability for violations of the antitrust laws is joint and several and because the rights and obligations relating to the Amended Indemnity and Joint Defense Agreement are based on contractual relationships, the failure of the VNU Parties to fulfill their obligations under the Amended Indemnity and Joint Defense Agreement could result in the other parties bearing all or a portion of the IRI Liabilities. Joint and several liability for the IRI action means that even where more than one defendant is determined to have been responsible for an alleged wrongdoing, the plaintiff can collect all or part of the judgment from just one of the defendants. This is true regardless of whatever contractual allocation of responsibility the defendants and any other indemnifying parties may have made, including the allocations described above between the VNU Parties, Donnelley, Moody’s, New D&B and IMS Health.

Accordingly, and as a result of the allocations of liability described above, in the event the VNU Parties default on their obligations under the Amended Indemnity and Joint Defense Agreement, each of Moody’s and New D&B will be responsible for the payment of 50% of the portion of any judgment or settlement ultimately paid by Donnelley (which is a defendant in the IRI action), which can be as high as all the IRI Liabilities.

The Company is unable to predict at this time the outcome of the IRI action, the financial condition of any of the VNU parties or the other defendants at the time of any such outcome, or whether the VNU Parties or the other defendants will fulfill their obligations under the Amended Indemnity and Joint Defense Agreement or other related contractual agreements. Hence, the Company cannot estimate such parties’ ability to pay the IRI Liabilities pursuant to the Amended Indemnity and Joint Defense Agreement or the amount of the judgment or settlement in the IRI action. Accordingly, no amount in respect of this matter has been accrued in the Company’s consolidated financial statements. As discussed above, provided that the VNU Parties ultimately fulfill their obligations under the Amended Indemnity and Joint Defense Agreement, Moody's believes that the resolution of the IRI action should not materially affect the Company's financial position, results of operations, or cash flows. If, however, IRI were to prevail in whole or in part in this action and Moody's is required to pay, notwithstanding such contractual obligations, a portion of any significant settlement or judgment, the outcome of this matter could have a material adverse effect on Moody's financial position, results of operations, and cash flows.

Legacy Tax Matters

Old D&B and its predecessors entered into global tax planning initiatives in the normal course of business, including through tax-free restructurings of both their foreign and domestic operations. These initiatives are subject to normal review by tax authorities.

Pursuant to a series of agreements, as between themselves, IMS Health and NMR are jointly and severally liable to pay one-half, and New D&B and Moody's are jointly and severally liable to pay the other half, of any payments for taxes, penalties and accrued interest resulting from unfavorable IRS rulings on certain tax matters as described in such agreements (excluding the matter described below as "Amortization Expense Deductions" for which New D&B and Moody's are solely responsible) and certain other potential tax liabilities, also as described in such agreements, after New D&B and/or Moody's pays the first $137 million, which amount was paid in connection with the matter described below as "Utilization of Capital Losses".

In connection with the 2000 Distribution and pursuant to the terms of the related Distribution Agreement, New D&B and Moody's have, between themselves, agreed to each be financially responsible for 50% of any potential liabilities that may arise to the extent such potential liabilities are not directly attributable to their respective business operations.

Without limiting the generality of the foregoing, three specific tax matters are discussed below.

Royalty Expense Deductions

During the second quarter of 2003, New D&B received an Examination Report from the IRS with respect to a partnership transaction entered into in 1993. In this Report, the IRS stated its intention to disallow certain royalty expense deductions claimed by Old D&B on its tax returns for the years 1993 through 1996 (the "Royalty Report"). In the first quarter of 2004, New D&B received a similar Examination Report (the "Second Royalty Report") relating to the first quarter of 1997.

During the second quarter of 2003, New D&B also received an Examination Report from the IRS stating its intention to ignore the partnership structure that had been established in 1993 in connection with the above transaction, and to reallocate to Old D&B income and expense items that had been reported in the partnership tax return for 1996 (the "Reallocation Report"). New D&B also received a similar Examination Report (the "Second Reallocation Report") issued to the partnership with respect to the first quarter of 1997.

In June 2004, New D&B and the IRS conducted a mediation of these issues. As a result of the mediation, New D&B and the IRS reached a basis for settlement with regard to the Royalty Report for 1995 and 1996 and the Reallocation Report. In addition, New D&B and the IRS reached a basis for settlement of certain tax refund claims made by Old D&B related to 1995 and 1996. Moody's estimates that its share of the cost of this tentative settlement will be approximately $31 million, reflecting anticipated cash payments of approximately $24 million and the write-off of approximately $7 million of deferred tax assets related to tax refund claims. The tentative settlement will not be finalized until a formal agreement is executed, which is expected to be during the second half of 2004, and it is possible that Moody's share of the related cost could differ from the Company's current estimate.

The mediation settlement did not resolve either the Second Royalty Report or the Second Reallocation Report. New D&B disagrees with the positions taken by the IRS in these reports and previously had filed a protest with the IRS Appeals Office. If the IRS Appeals Office were to uphold these reports, then New D&B could either: (1) accept and pay the IRS assessment; (2) challenge the assessment in U.S. Tax Court; or (3) challenge the assessment in U.S. District Court or the U.S. Court of Federal Claims, where in either case payment of the assessment would be required in connection with such challenge. Should any such payments be made by New D&B, then pursuant to the terms of the 2000 Distribution Agreement, Moody's would have to pay to New D&B its 50% share. Moody's believes that the positions taken by the IRS in the Second Royalty Report and Second Reallocation Report are inconsistent with each other. Accordingly, while it is possible that the IRS could ultimately prevail in whole or in part on one of such positions, Moody’s believes that it is unlikely that the IRS will prevail on both. Moody’s estimates that its share of the required payment to the IRS for this matter could be up to $2 million (including penalties and interest, and net of tax benefits).

During the mediation, the IRS claimed that certain tax refund claims made by Old D&B related to 1993 and 1994 may be offset by tax liabilities relating to the above mentioned partnership formed in 1993. New D&B disagrees with the position taken by the IRS and plans to file a protest with the IRS Appeals Office. If the protest is unsuccessful New D&B can either: (1) abandon its tax refund claims; or (2) challenge the IRS claim in U.S. District Court or the U.S. Court of Federal Claims. Moody’s estimates that its exposure for the write-off of deferred tax assets related to these tax refund claims could be up to $9 million.

Amortization Expense Deductions

In April 2004, New D&B received Examination Reports (the “April Examination Reports”) from the IRS with respect to a partnership transaction. This transaction was entered into in 1997 and could result in amortization expense deductions on the tax returns of Old D&B and New D&B from 1997 through 2012.

In the April Examination Reports, the IRS stated its intention to disallow the amortization expense deductions related to this partnership that were claimed by Old D&B on its 1997 and 1998 tax returns. New D&B disagrees with the position taken by the IRS and can either: (1) accept and pay the IRS assessment; (2) challenge the assessment in U.S Tax Court; or (3) challenge the assessment in U.S. District Court or the U.S. Court of Federal Claims, where in either case payment of the disputed amount would be required in connection with such challenge. IRS audits of Old D&B’s or New D&B’s tax returns for years subsequent to 1998 could result in the issuance of similar Examination Reports, in which case New D&B would also have the aforementioned three courses of action. Should any such payments be made by New D&B related to either the April Examination Reports or any potential Examination Reports for future years, including years subsequent to the separation of Moody’s from New D&B, then pursuant to the terms of the 2000 Distribution Agreement, Moody’s would have to pay to New D&B its 50% share. In addition, should New D&B discontinue claiming the amortization deductions on future tax returns, Moody’s would be required to repay to New D&B an amount equal to the discounted value of its 50% share of the related future tax benefits. New D&B had paid the discounted value of future tax benefits from this transaction in cash to Moody’s at the Distribution Date. Moody’s estimates that the Company’s current potential exposure could be up to $94 million (including penalties and interest, and net of tax benefits). This exposure could increase by approximately $3 million to $6 million per year, depending on actions that the IRS may take and on whether New D&B continues claiming the amortization deductions on its tax returns.

In the April Examination Reports, the IRS also stated its intention to disallow certain royalty expense deductions claimed by Old D&B on its 1997 and 1998 tax returns with respect to the partnership transaction. In addition, the IRS stated its intention to disregard the partnership structure and to reallocate to Old D&B certain partnership income and expense items that had been reported in the partnership tax returns for 1997 and 1998. New D&B disagrees with the positions taken by the IRS and can take any of the three courses of action described in the second paragraph. IRS audits of Old D&B’s or New D&B’s tax returns for years subsequent to 1998 could result in the issuance of similar Examination Reports for the subsequent years. Should any such payments be made by New D&B related to either the April Examination Reports or any potential Examination Reports for future years, then pursuant to the terms of the 2000 Distribution Agreement, Moody’s would have to pay to New D&B its 50% share of New D&B’s payments to the IRS for the period from 1997 through the Distribution Date. Moody’s estimates that its share of the potential exposure to the IRS could be up to $127 million (including penalties and interest, and net of tax benefits). Moody’s also could be obligated for future interest payments on its share of such liability.

New D&B has filed protests with the IRS Appeals Office regarding the April Examination Reports.

Moody’s believes that the IRS’s proposed assessments of tax against Old D&B and the proposed reallocations of partnership income and expense to Old D&B are inconsistent with each other. Accordingly, while it is possible that the IRS could ultimately prevail in whole or in part on one of such positions, Moody’s believes that it is unlikely that the IRS will prevail on both.

Utilization of Capital Losses

The IRS has completed its review of the utilization of certain capital losses generated by Old D&B during 1989 and 1990. On June 26, 2000, the IRS, as part of its audit process, issued a formal assessment with respect to the utilization of these capital losses.

On May 12, 2000, an amended tax return was filed by Old D&B for the 1989 and 1990 tax years, which reflected $561.6 million of tax and interest due. Old D&B paid the IRS approximately $349.3 million of this amount on May 12, 2000; 50% of such payment was allocated to Moody's and had previously been accrued by the Company. IMS Health informed Old D&B that it paid to the IRS approximately $212.3 million on May 17, 2000. The payments were made to the IRS to stop further interest from accruing, and on September 20, 2000, Old D&B filed a petition for a refund in the U.S. District Court.

Pre-trial proceedings on this matter have been ongoing, and in July 2004, New D&B and the IRS reached a basis for settlement of all outstanding issues related to this matter. Moody's estimates that its share of the cost of this tentative settlement will be $12 million, reflecting anticipated cash payments of $2 million and the write-off of deferred tax assets of $10 million. The tentative settlement will not be finalized until a formal agreement is executed, which is expected to be during the second half of 2004, and it is possible that Moody's share of the related cost could differ from the Company's current estimate.

Summary of Moody's Exposure to Three Legacy Tax Matters

The Company considers from time to time the range and probability of potential outcomes related to the three legacy tax matters discussed above and establishes reserves that it believes are appropriate in light of the relevant facts and circumstances. In doing so, Moody's makes estimates and judgments as to future events and conditions and evaluates its estimates and judgments on an ongoing basis.

In the second quarter of 2004, the Company made adjustments to legacy tax reserves and deferred tax assets to reflect its current estimates of the probable exposures on these matters and the manner in which it expects the exposures to be resolved. These adjustments consisted of: (1) $26 million of write-offs and valuation allowances related to deferred tax assets; and (2) a $16 million reduction in legacy tax reserves, to $112 million at June 30, 2004. As a result of these adjustments, Moody's recorded an expense of $10 million, which is included in the Company's income tax provision, in the second quarter of 2004. The $112 million of legacy tax reserves at June 30, 2004 consist of approximately $26 million of current liabilities (reflecting the estimated cash payments related to the Royalty Expense Deductions and Utilization of Capital Losses matters that are expected to be made in the second half of 2004) and $86 million of non-current liabilities.

It is possible that the legacy tax matters could be resolved in amounts that are greater than the amounts reserved by the Company, which could result in additional charges that may be material to Moody's future reported results, financial position and cash flows. Although Moody's does not believe it is likely that the Company will ultimately be required to pay the full amounts presently being sought by the IRS, potential future outlays resulting from these matters could be as much as $275 million and could increase with time as described above.

9. COMPREHENSIVE INCOME

Total comprehensive income was as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
	(in millions)			
Net income	$103.5	$100.9	$207.0	$192.8
Other comprehensive (loss) income — foreign currency translation adjustment	(1.6)	1.3	(0.8)	1.7
Other comprehensive loss — additional minimum pension liability	(0.3)	—	(0.3)	—
Total comprehensive income	$101.6	$102.2	$205.9	$194.5

10. SEGMENT INFORMATION

The Company reports segment information in accordance with SFAS No. 131, “Disclosures about Segments of an Enterprise and Related Information”. SFAS No. 131 defines operating segments as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance.

Moody’s Investors Service consists of four rating groups — structured finance, corporate finance, financial institutions and sovereign risk, and public finance — that generate revenue principally from the assignment of credit ratings on fixed-income instruments in the debt markets, and research, which primarily generates revenue from the sale of investor-oriented credit research, principally produced by the rating groups. Given the dominance of Moody’s Investors Service to Moody’s overall results, the Company does not separately measure or report corporate expenses, nor are they allocated to the Company’s business segments. Accordingly, all corporate expenses are included in operating income of the Moody’s Investors Service segment and none have been allocated to the Moody’s KMV segment.

The Moody’s KMV business consists of the combined businesses of KMV, acquired in April 2002, and Moody’s Risk Management Services. Moody’s KMV develops and distributes quantitative credit assessment services for banks and investors in credit-sensitive assets, credit training services and credit process software.

Assets used solely by Moody’s KMV are separately disclosed within that segment. All other Company assets, including corporate assets, are reported as part of Moody’s Investors Service.

Revenue by geographic area is generally based on the location of the customer.

Intersegment sales are insignificant and no single customer accounted for 10% or more of total revenue.

Below are financial information by segment, Moody’s Investors Service revenue by business unit and revenue information by geographic area, each for the three and six month periods ended June 30, 2004 and 2003, and total assets by segment as of June 30, 2004 and December 31, 2003 (in millions). Certain prior year amounts have been reclassified to conform to the current presentation.

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Financial Information by Segment

	Three Months Ended June 30, 2004			Three Months Ended June 30, 2003		
	Moody's Investors Service	Moody's KMV	Consolidated	Moody's Investors Service	Moody's KMV	Consolidated
Revenue	$325.3	$32.3	$357.6	$286.5	$26.2	$312.7
Operating, selling, general and administrative expenses	124.4	25.0	149.4	108.9	19.2	128.1
Depreciation and amortization	4.5	4.2	8.7	3.8	4.1	7.9
Operating income	196.4	3.1	199.5	173.8	2.9	176.7
Interest and other non-operating expense, net			(6.4)			(4.2)
Income before provision for income taxes			193.1			172.5
Provision for income taxes			89.6			71.6
Net income			$103.5			$100.9

	Six Months Ended June 30, 2004			Six Months Ended June 30, 2003		
	Moody's Investors Service	Moody's KMV	Consolidated	Moody's Investors Service	Moody's KMV	Consolidated
Revenue	$627.7	$61.1	$688.8	$539.9	$51.0	$590.9
Operating, selling, general and administrative expenses	239.8	49.6	289.4	207.9	41.5	249.4
Depreciation and amortization	8.5	8.5	17.0	7.5	8.2	15.7
Operating income	379.4	3.0	382.4	324.5	1.3	325.8
Interest and other non-operating (expense) income, net			(11.4)			3.8
Income before provision for income taxes			371.0			329.6
Provision for income taxes			164.0			136.8
Net income			$207.0			$192.8

Moody's Investors Service Revenue by Business Unit

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Ratings revenue:				
Structured finance	$131.8	$116.9	$244.8	$214.7
Corporate finance	78.4	71.6	154.7	133.0
Financial institutions and sovereign risk	51.8	44.1	104.3	89.8
Public finance	21.9	23.8	42.0	43.6
Total ratings revenue	283.9	256.4	545.8	481.1
Research revenue	41.4	30.1	81.9	58.8
Total Moody's Investors Service	$325.3	$286.5	$627.7	$539.9

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Revenue Information by Geographic Area

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
United States	$231.0	$206.7	$442.9	$386.2
International	126.6	106.0	245.9	204.7
Total	$357.6	$312.7	$688.8	$590.9

Total Assets by Segment

	June 30, 2004			December 31, 2003		
	Moody's Investors Service	Moody's KMV	Consolidated	Moody's Investors Service	Moody's KMV	Consolidated
Total assets by segment	$746.1	$255.2	$1,001.3	$673.0	$268.4	$941.4

11. INSURANCE RECOVERY

In February 2003, Moody's received a $15.9 million insurance recovery related to the September 11th tragedy for incremental costs incurred and for lost profits due to the sharp decline in debt market activity in the weeks following the disaster. Moody's had previously received a $4.0 million advance payment in 2002, resulting in a total recovery of $19.9 million. Moody's had incurred incremental costs of $6.3 million for property damage and temporary office facilities, and had fully accrued for the recovery of these costs in its financial statements. The remainder of the insurance recovery, $13.6 million, had not previously been accrued as its realizability was not sufficiently assured. As a result, in the first quarter of 2003 Moody's recorded a gain of $13.6 million, included in interest and other non-operating (expense) income, net in the condensed consolidated statement of operations.

12. SUBSEQUENT EVENT

On July 9, 2004, the Board of Directors of the Company approved a quarterly dividend of 7.5 cents per share of Moody's common stock, payable on September 10, 2004 to shareholders of record at the close of business on August 20, 2004.

On July 30, 2004, the VNU Parties, Donnelley, Moody's, New D&B and IMS Health entered into the Amended Indemnity and Joint Defense Agreement. See note 8 for further discussion.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis of financial condition and results of operations should be read in conjunction with the Moody's Corporation condensed consolidated financial statements and notes thereto included elsewhere in this quarterly report on Form 10-Q.

Certain of the statements below are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In addition, any projections of future results of operations and cash flows are subject to substantial uncertainty. See "Forward-Looking Statements" on page 38.

The Company

Except where otherwise indicated, the terms "Moody's" and the "Company" refer to Moody's Corporation and its subsidiaries. Moody's is a provider of credit ratings, research and analysis covering debt instruments and securities in the global capital markets and a provider of quantitative credit assessment services, credit training services and credit process software to banks and other financial institutions. Moody's operates in two reportable segments: Moody's Investors Service and Moody's KMV.

Moody's Investors Service publishes rating opinions on a broad range of credit obligations issued in domestic and international markets, including various corporate and governmental obligations, structured finance securities and commercial paper programs, as well as rating opinions on issuers of credit obligations. It also publishes investor-oriented credit research, including in-depth research on major issuers, industry studies, special comments and credit opinion handbooks.

The Moody's KMV business consists of the combined businesses of KMV LLC and KMV Corporation ("KMV"), acquired in April 2002, and Moody's Risk Management Services. Moody's KMV develops and distributes quantitative credit assessment products and services for banks and investors in credit-sensitive assets, credit training services and credit process software.

Critical Accounting Estimates

Moody's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires Moody's to make estimates and judgments that affect reported amounts of assets and liabilities and related disclosures of contingent assets and liabilities at the dates of the financial statements and revenue and expenses during the reporting periods. These estimates are based on historical experience and on other assumptions that are believed to be reasonable under the circumstances. On an ongoing basis, Moody's evaluates its estimates, including those related to revenue recognition, accounts receivable allowances, contingencies, goodwill, pension and other post-retirement benefits and stock-based compensation. Actual results may differ from these estimates under different assumptions or conditions. Item 7, Management's Discussion and Analysis of Financial Condition and Results of Operations, in the Company's annual report on Form 10-K for the year ended December 31, 2003, includes descriptions of some of the judgments that Moody's makes in applying its accounting estimates in these areas. Since the date of the annual report on Form 10-K, there have been no material changes to the Company's critical accounting estimates.

Operating Segments

The Moody's Investors Service business consists of four rating groups — structured finance, corporate finance, financial institutions and sovereign risk, and public finance — that generate revenue principally from the assignment of credit ratings on fixed-income instruments in the debt markets, and research, which primarily generates revenue from the sale of investor-oriented credit research, principally produced by the rating groups. Given the dominance of Moody's Investors Service to Moody's overall results, the Company does not separately measure or report corporate expenses, nor are they allocated to the Company's business segments. Accordingly, all corporate expenses are included in operating income of the Moody's Investors Service segment and none have been allocated to the Moody's KMV segment.

The Moody's KMV business develops and distributes quantitative credit assessment products and services for banks and investors in credit-sensitive assets, credit training services and credit process software.

Certain prior year amounts have been reclassified to conform to the current presentation.

Results of Operations

Three Months Ended June 30, 2004 Compared With Three Months Ended June 30, 2003

Total Company Results

Moody's revenue for the second quarter of 2004 was $357.6 million, an increase of $44.9 million or 14.4% from $312.7 million for the second quarter of 2003. Moody's achieved strong revenue growth in several business sectors, including U.S. structured finance, global research, Moody's KMV, international corporate finance and U.S. financial institutions.

Revenue in the United States was $231.0 million for the second quarter of 2004, an increase of $24.3 million or 11.8% from $206.7 million in 2003. Approximately 50% of the U.S growth was driven by structured finance, reflecting strength in residential mortgage and home equity loan securitizations. Year-to-year revenue growth of $6 million was achieved in research, and the financial institutions sector accounted for $4 million of growth.

Moody's international revenue was $126.6 million in the second quarter, an increase of $20.6 million or 19.4% over $106.0 million in the second quarter of 2003. This reflected strong growth in the Moody's Investors Service business, with research and corporate finance the largest contributors. Ratings revenue grew $11 million versus the prior year, principally due to strength in the corporate high yield sector and credit derivatives in Europe, and mortgage backed securitizations in Japan. International research revenue grew approximately $6 million from the second quarter of 2003, with approximately $4 million of that growth in Europe, due primarily to higher sales of credit research relating to corporate finance and financial institutions. Moody's KMV contributed $4 million of international growth as well. In addition, foreign currency translation accounted for approximately $4 million of reported international revenue growth.

Operating, selling, general and administrative expenses were $149.4 million in the second quarter of 2004, an increase of $21.3 million or 16.6% from $128.1 million in the second quarter of 2003. Compensation and benefits expense grew $15 million year-to-year, reflecting compensation increases, increased staffing, and higher stock-based compensation expense. Moody's global staffing of approximately 2,400 at June 30, 2004 was 9% higher than the year-ago level, and reflected hiring in the specialist teams that support Moody's Enhanced Analysis Initiative, in Moody's international ratings businesses, and at Moody's KMV. Stock-based compensation expense increased $4.1 million year-to-year. As more fully discussed in note 2 to the condensed consolidated financial statements, the Company adopted the fair value method provisions of Statement of Financial Accounting Standards No. 123 prospectively beginning on January 1, 2003. The year-to-year increase in expense reflects the phasing in of expense over the current four-year equity plan vesting period as annual equity grants are made as well as the effect of a higher share price on the value of the 2004 equity grants. In addition, foreign currency translation contributed approximately $3 million to year-to-year expense growth. Depreciation and amortization expense was $8.7 million in the second quarter of 2004 compared with $7.9 million in the prior year period.

Second quarter operating income of $199.5 million rose $22.8 million or 12.9% from $176.7 million in the same period of 2003. Foreign currency translation contributed approximately $1 million to operating income growth in the quarter. Moody's operating margin for the second quarter of 2004 was 55.8% compared to 56.5% a year earlier. The decrease in the margin reflected growth in Moody's KMV revenue at a lower incremental margin than the Moody's Investors Service business as well as the year-to-year increase in stock-based compensation expense discussed above.

Moody's reported $6.4 million of interest and other non-operating expense, net for the second quarter of 2004 compared with $4.2 million for the same period of 2003. Interest expense was $5.8 million in each of the periods. Interest income was $1.1 million in

2004 compared to $0.3 million in 2003. Moody's invested cash increased substantially year-to-year, but the rate of interest was lower in 2004 than in 2003. Foreign exchange (losses) gains were ($1.0) million in 2004 and $1.4 million in 2003. The year-over-year change was due to the depreciation of the U.S. dollar versus the Japanese Yen and the Euro.

Moody's effective tax rate was 46.4% in the second quarter of 2004 compared to 41.5% in the second quarter of 2003. The 2004 effective tax rate included the impact of a $10.0 million charge related to legacy income tax exposures that were assumed by Moody's in connection with its separation from The Dun & Bradstreet Corporation in October 2000 (see Contingencies – Legacy Tax Matters, below).

Net income was $103.5 million for the second quarter of 2004, an increase of $2.6 million or 2.6% from $100.9 million for the same period of 2003. Basic and diluted earnings per share for the second quarter of 2004 were $0.70 and $0.68, respectively, compared to basic and diluted earnings per share of $0.68 and $0.66, respectively, for the second quarter of 2003. Moody's net income and earnings per share in the second quarter of 2004 included the impact of the legacy tax provision of $10.0 million.

Segment Results

Moody's Investors Service

Revenue at Moody's Investors Service for the second quarter of 2004 was $325.3 million, up $38.8 million or 13.5% from $286.5 million in the second quarter of 2003. Good growth was achieved in a number of ratings sectors as well as in research. Foreign currency translation accounted for approximately $4 million of reported revenue growth. Price increases also contributed to year-to-year growth in reported revenue.

Structured finance revenue was $131.8 million for the second quarter of 2004, an increase of $14.9 million or 12.7% from $116.9 million in the same period of 2003. Approximately $12 million of this increase was in the United States, principally reflecting strong growth in revenue from rating residential mortgage and home equity loan securities. In this sector, historically low interest rates and a strong housing market have continued to drive growth in mortgage lending and home equity loans and related securitizations. International structured finance revenue grew approximately $3 million year-to-year, with about one-half of the growth attributable to Europe. European revenue from the ratings of credit derivatives grew over 20% on increased volume. This growth was partially offset by slight declines in revenue in the commercial mortgage, residential mortgage and asset-backed sectors, due to lower issuance volumes. Foreign currency translation also contributed to international growth in structured finance revenue.

Corporate finance revenue was $78.4 million for the second quarter, up $6.8 million or 9.5% from $71.6 million in the second quarter of 2003. Revenue grew approximately $2 million in the United States, as a decline in revenue from rating corporate debt issues was more than offset by the impacts of price increases related to the Enhanced Analysis Initiative and other areas, as well as strong growth in revenue from syndicated bank loan ratings. In the U.S. corporate debt market, investment grade dollar issuance volume declined nearly 50% and high yield issuance declined over 30% versus the same quarter of 2003. Rising interest rates, a low stock of debt to be refinanced, and continued weak borrowing to fund business investment have resulted in a weak issuance environment in the United States. Growth outside the U.S. was approximately $5 million in the quarter, primarily in Europe. Revenue growth was achieved despite a decline in investment grade corporate bond issuance volumes, principally due to strong issuance and new rating relationships in the high yield sector. Price increases also contributed to global corporate finance revenue growth over the prior year period.

Revenue in the financial institutions and sovereign risk group was $51.8 million for the second quarter of 2004, an increase of $7.7 million or 17.5% from $44.1 million in 2003. In the U.S., revenue grew over $4 million compared to a relatively weak second quarter of 2003, principally reflecting strong issuance in the real estate sector and new relationships in the insurance sector. International revenue growth of approximately $3 million was spread across several regions, with Europe the largest contributor due to new rating relationships in the banking sector. Price increases also contributed to year-to-year growth in global financial institutions revenue.

Public finance revenue was $21.9 million for the second quarter of 2004, a decline of $1.9 million or 8.0% from $23.8 million for the same period in 2003. Dollar issuance in the municipal bond market declined approximately 14% versus 2003 due to higher interest rates and greater "pay-as-you go" financing available to municipalities in a strengthening economy. Refinancings represented 28% of total dollar issuance in the second quarter of 2004 versus 33% in the same period of 2003.

Research revenue of $41.4 million for the second quarter of 2004 was $11.3 million or 37.5% higher than the $30.1 million reported in the second quarter of 2003. Revenue grew by approximately $6 million in the U.S. and over $4 million in Europe. The strong performance reflected growth in licensing of Moody’s information to financial customers for internal use and redistribution, sales of new products to existing clients and new clients. Foreign currency translation also contributed to year-to-year growth in reported revenue.

Moody’s Investors Service operating, selling, general and administrative expenses, including corporate expenses, were $124.4 million for the second quarter of 2004, an increase of $15.5 million or 14.2% from $108.9 million in the second quarter of 2003. Compensation and benefits expense accounted for $11 million of expense growth, including $3.6 million related to the Company’s change in accounting for stock-based compensation discussed above. The growth also reflected compensation increases and staffing growth in many areas, including the specialist teams that support Moody’s Enhanced Analysis Initiative. Foreign currency translation contributed approximately $3 million to year-to-year growth in reported expenses. Depreciation and amortization expense was $4.5 million in 2004 versus $3.8 million in 2003.

Moody’s Investors Service operating income of $196.4 million for the second quarter of 2004 was up $22.6 million or 13.0% from $173.8 million in the second quarter of 2003. Foreign currency translation contributed approximately $1 million to year-to-year growth in operating income.

Moody’s KMV

Moody’s KMV revenue of $32.3 million for the second quarter of 2004 was up $6.1 million or 23.3% from $26.2 million for the same period in 2003. Approximately $4 million of the revenue growth related to subscriptions for MKMV’s credit risk assessment products, including CreditEdge™, RiskCalc™ and Portfolio Manger™. Strong sales of credit process software, a portion of which were expected later in the year, also contributed to year-to-year growth. By major geography, revenue grew approximately $2 million in the U.S and approximately $3 million in Europe.

MKMV’s operating, selling, general and administrative expenses were $25.0 million for the second quarter of 2004, an increase of $5.8 million or 30.2% from $19.2 million in the second quarter of 2003. The year-to-year growth was primarily due to an increase of approximately $4 million in compensation and related expenses. This reflected increased staffing to support the continued growth of the business as well as a $0.5 million increase related to the Company’s change in accounting for stock-based compensation discussed above. Depreciation and amortization expense was $4.2 million in 2004 versus $4.1 million in 2003.

Six Months Ended June 30, 2004 Compared With Six Months Ended June 30, 2003

Total Company Results

Moody’s revenue for the first half of 2004 was $688.8 million, an increase of $97.9 million or 16.6% from $590.9 million for the first half of 2003. Moody’s achieved strong revenue growth in many business sectors including global structured finance, global corporate finance, global research and global financial institutions.

Revenue in the United States was $442.9 million for the first half of 2004, an increase of $56.7 million or 14.7% from $386.2 million in 2003. Structured finance contributed approximately $20 million of revenue growth, with strong performance in the U.S residential mortgage backed and home equity loan sector. Over $14 million of growth was contributed by corporate finance, reflecting price increases and strong growth in ratings of syndicated bank loans. U.S. financial institutions and U.S research contributed to growth as well.

Moody’s international revenue was $245.9 million in the first half, an increase of $41.2 million or 20.1% over $204.7 million in the first half of 2003. Ratings revenue growth of $24 million included over $10 million of growth in international structured finance, which was evenly split between Europe and other geographies. Research revenue growth of approximately $12 million was primarily in Europe. International corporate finance contributed to growth as well. In addition, foreign currency translation accounted for approximately $9 million of reported international revenue growth.

Operating, selling, general and administrative expenses were $289.4 million in the first half of 2004, an increase of $40.0 million or 16.0% from $249.4 million in the first half of 2003. Compensation and benefits expense increased by $32 million year-to-year, reflecting compensation increases as well as increased staffing in the specialist teams that support Moody's Enhanced Analysis Initiative and at Moody's KMV. Moody's staffing at June 30, 2004, at approximately 2,400 employees, was 9% higher than the prior year. The year-to-year growth in compensation and benefits expense also reflected a $7.4 million increase in stock-based compensation expense. As more fully discussed in note 2 to the condensed consolidated financial statements, the Company adopted the fair value method provisions of Statement of Financial Accounting Standards No. 123 prospectively beginning on January 1, 2003. The year-to-year increase in expense reflects the phasing in of expense over the current four-year equity plan vesting period as annual equity grants are made as well as the effect of a higher share price on the value of the 2004 equity grants. In addition, foreign currency translation contributed approximately $8 million to year-to-year expense growth. Depreciation and amortization was $17.0 million and $15.7 million in the first half of 2004 and 2003, respectively.

First half operating income of $382.4 million rose $56.6 million or 17.4% from $325.8 million in the same period of 2003. Foreign currency translation contributed approximately $1 million to operating income growth. Moody's operating margin for the first half of 2004 was 55.5% compared to 55.1% a year earlier.

Moody's reported $11.4 million of interest and other non-operating expense, net for the first half of 2004 compared with $3.8 million of income for the same period of 2003. The 2003 amount included a gain of $13.6 million on an insurance recovery related to the September 11th tragedy, as discussed in note 11 to the condensed consolidated financial statements. Interest expense was $11.5 million in the first half of 2004 compared to $12.0 million in the 2003 period. The amounts in both periods included $11.4 million of interest expense on Moody's $300 million of private placement debt. Interest income was $2.2 million in 2004 compared to $0.5 million in 2003. Moody's invested cash increased substantially year-to-year, but the rate of interest was lower in 2004 than in 2003. Foreign exchange (losses) gains were ($1.5) million in 2004 and $1.8 million in 2003. The year-over-year change was due to the depreciation of the U.S. dollar versus the British Pound Sterling and the Euro.

Moody's effective tax rate was 44.2% in the first half of 2004 compared to 41.5% in the first half of 2003. The 2004 effective tax rate included the impact of a $10.0 million increase in reserves related to legacy income tax exposures that were assumed by Moody's in connection with its separation from The Dun & Bradstreet Corporation in October 2000 (see Contingencies – Legacy Tax Matters, below). This item accounted for a 270 basis point increase in the effective rate in 2004.

Net income was $207.0 million for the first half of 2004, an increase of $14.2 million or 7.4% from $192.8 million for the same period of 2003. Basic and diluted earnings per share for the first half of 2004 were $1.39 and $1.36, respectively, compared to basic and diluted earnings per share of $1.30 and $1.27, respectively, for the first half of 2003. Moody's net income and earnings per share in the first half of 2004 included the impact of the legacy tax provision of $10.0 million, and the 2003 results included the impact of the $13.6 million gain on the insurance recovery, both as discussed above.

Segment Results

Moody's Investors Service

Revenue at Moody's Investors Service for the first half of 2004 was $627.7 million, up $87.8 million or 16.3% from $539.9 million in the first half of 2003. Good growth was achieved in a number of ratings sectors as well as in research. Foreign currency translation contributed approximately $9 million to reported revenue growth. Price increases also contributed to year-to-year growth in reported revenue.

Structured finance revenue was $244.8 million for the first half of 2004, an increase of $30.1 million or 14.0% from $214.7 million in the same period of 2003. Approximately $20 million of this increase was in the United States, primarily due to strong growth in ratings of residential mortgage and home equity loan securities. This sector contributed over $15 million of revenue growth, as low interest rates and a strong housing market drove growth in mortgage lending and home equity loans and related securitizations. Good growth was also achieved in revenue from ratings of collateralized debt obligations, where the number of issues was up 25% year to year. International structured finance revenue grew approximately $10 million, with about one-half of the growth attributable to Europe. In Europe, growth was achieved in many asset class sectors. Japan structured finance revenue increased nearly $4 million, benefiting from strong issuance and gains in Moody's market share in the commercial and residential mortgage backed sectors. Foreign currency translation and price increases also contributed to year-to-year growth in global structured finance revenue.

Corporate finance revenue was $154.7 million in the first half of 2004, up $21.7 million or 16.3% from $133.0 million in the first half of 2003. Revenue grew by approximately $14 million in the United States, reflecting the impact of price increases related to the Enhanced Analysis Initiative and other areas, as well as strong growth in ratings of syndicated bank loans. These gains were partially offset by a decline in revenue related to public debt issuance, reflecting year-to-year declines in both investment grade and high yield issuance. Internationally, European corporate finance contributed nearly half the $8 million of revenue growth, due primarily to new rating relationships and good growth in high yield issuance.

Revenue in the financial institutions and sovereign risk group was $104.3 million for the first half of 2004, an increase of $14.5 million or 16.1% from $89.8 million in the 2003 period. In the U.S., revenue grew approximately $8 million, principally reflecting refinancings in the real estate and insurance sectors and strong issuance in the banking sector. International revenue increased approximately $6 million, primarily in Europe, where issuance volumes have been robust versus the first half of 2003. Price increases also contributed to global financial institutions revenue growth over the prior year period.

Public finance revenue was $42.0 million for the first half of 2004, a decrease of $1.6 million or 3.7% from $43.6 million for the same period in 2003. Dollar issuance in the municipal bond market decreased 9% versus 2003, due to higher interest rates and greater "pay-as-you go" financing available to municipalities in a strengthening economy. Refinancings represented 27% of total dollar issuance in the first half of 2004 versus 34% in the same period of 2003.

Research revenue of $81.9 million for the first half of 2004 was $23.1 million or 39.3% higher than the $58.8 million reported in the first half of 2003. Revenue grew by approximately $11 million in the U.S. and nearly $9 million in Europe. The strong performance reflected growth in licensing of Moody's information to financial customers for internal use and redistribution, sales of new products to existing clients and new clients. Foreign currency translation also contributed to year-to-year growth in reported revenue.

Moody's Investors Service operating, selling, general and administrative expenses, including corporate expenses, were $239.8 million for the first half of 2004, an increase of $31.9 million or 15.3% from $207.9 million in the first half of 2003. Compensation and benefits expense accounted for $25 million of the expense growth. The year-to-year expense increase in compensation and benefits included $6.4 million related to the Company's change in accounting for stock-based compensation discussed above. It also reflected compensation increases and staffing growth in many areas, including the specialist teams that support Moody's Enhanced Analysis Initiative. Foreign currency translation contributed approximately $7 million to year-to-year growth in reported expenses. Depreciation and amortization expense was $8.5 million in 2004 versus $7.5 million in 2003.

Moody's Investors Service operating income of $379.4 million for the first half of 2004 was up $54.9 million or 16.9% from $324.5 million in the first half of 2003. Foreign currency translation contributed approximately $2 million to operating income.

Moody's KMV

Moody's KMV revenue of $61.1 million for the first half of 2004 was up $10.1 million or 19.8% from $51.0 million for the same period in 2003. Approximately $7 million of MKMV's global revenue growth related to subscriptions for its credit risk assessment products, including CreditEdge™, RiskCalc™ and Portfolio Manger™. Credit decisioning software accounted for over $2 million of growth. By major region, revenue grew by approximately $5 million in the U.S and approximately $4 million in Europe.

MKMV's operating, selling, general and administrative expenses were $49.6 million for the first half of 2004, an increase of $8.1 million or 19.5% from $41.5 million in the first half of 2003. The year-to-year increase primarily reflected growth of approximately $7 million in compensation and related expenses. This reflected increased staffing to support the continued growth of the business as well as a $1.0 million increase related to the Company's change in accounting for stock-based compensation discussed above. Foreign currency translation contributed approximately $1 million to year-to-year growth in reported expenses. Depreciation and amortization expense was $8.5 million in 2004 versus $8.2 million in 2003.

Liquidity and Capital Resources

Cash Flow

The Company is currently financing its operations and capital expenditures through cash flow from operations. Net cash provided by operating activities was $229.5 million and $179.7 million for the six months ended June 30, 2004 and 2003, respectively.

Moody's net cash provided by operating activities in 2004 increased by $49.8 million compared with 2003. Growth in net income accounted for $14.2 million of the year-to-year increase, and higher tax benefits from the exercise of stock options contributed $12.5 million of growth. Net income in 2004 included the $10 million non-cash legacy tax provision referred to above. In addition, Moody's incremental investment in accounts receivable was $25.1 million in the first half of 2004 versus $58.9 million in 2003. These favorable year-to-year impacts were partially offset by higher income tax payments of $22 million in the period due to timing.

In addition to these cash flow impacts, the $10 million legacy tax provision referred to above was reflected in Moody's financial statements through adjustments to current and non-current reserves and deferred tax assets that are described in this Management's Discussion and Analysis under "Contingencies".

Net cash used in investing activities was $14.5 million for the six months ended June 30, 2004 compared with $7.7 million for the same period of 2003. In each period, this spending mainly related to the purchase of property and equipment and the capitalization of development costs for MKMV's software products. The aggregate spending for these two categories was $11.4 million in the first half of 2004 and $8.8 million in the 2003 period. Cash paid for or acquired in investments in affiliates accounted for the remainder of each period's amount.

Net cash used in financing activities was $152.0 million for the six months ended June 30, 2004 compared to $134.2 million for the six months ended June 30, 2003. The year-to-year variance primarily reflected higher spending for repurchases of the Company's stock ($186.2 million in 2004 versus $50.5 million in 2003), partially offset by higher proceeds from stock plans ($57.2 million in 2004 versus $37.3 million in 2003). In addition, the Company made net repayments of bank borrowings of $107.1 million in the first half of 2003 versus no such spending in the 2004 period. Dividends paid in the first half of 2004 and 2003 were $22.4 million and $13.3 million, respectively. The increase in 2004 reflects a dividend of $0.075 per share in 2004 versus $0.045 per share in 2003.

Future Cash Requirements

Moody's currently expects to fund expenditures as well as liquidity needs created by changes in working capital from internally generated funds. The Company believes that it has the financial resources needed to meet its cash requirements for the next twelve months and expects to have positive operating cash flow for fiscal year 2004. Cash requirements for periods beyond the next twelve months will depend among other things on the Company's profitability and its ability to manage working capital requirements.

The Company currently intends to use the majority of its net cash provided by operating activities to continue its share repurchase program. The Company also currently intends to use a portion of its cash to pay a quarterly dividend, which the Board of Directors raised from $0.045 per share to $0.075 per share in December 2003. The continued payment of dividends at this rate, or at all, is subject to the discretion of the Board of Directors.

In addition, the Company will from time to time consider cash outlays for acquisitions of or investments in complementary businesses, products, services and technologies. The Company may also be required to make future cash outlays, including during 2004, to pay to New D&B its share of potential liabilities related to the legacy tax and legal contingencies that are discussed in this Management's Discussion and Analysis under "Contingencies". These potential cash outlays could be material and might affect liquidity requirements and could cause the Company to pursue additional financing. There can be no assurance that financing to meet cash requirements will be available in amounts or on terms acceptable to the Company, if at all.

Indebtedness

At June 30, 2004 and 2003, the Company had outstanding long-term financing of $300 million and a bank revolving credit facility with no borrowings outstanding at June 30, 2004 or 2003.

The $300 million of long-term financing was secured in connection with the 2000 Distribution, as that term is defined in note 1 to the condensed consolidated financial statements. In connection with the 2000 Distribution, Moody's was allocated $195.5 million of debt at September 30, 2000. Moody's funded this debt with borrowings under a $160 million unsecured bank revolving credit facility and a bank bridge line of credit. On October 3, 2000, the Company issued $300 million of notes payable (the "Notes") in a private placement. The cash proceeds from the Notes were used in part to repay the outstanding balance on the revolving credit facility and to repay the bridge line of credit. The Notes have a five-year term and bear interest at an annual rate of 7.61%, payable semi-annually. In the event that Moody's pays all or part of the Notes in advance of their maturity, (the "prepaid principal"), such prepayment will be subject to a penalty calculated based on the excess, if any, of the discounted value of the remaining scheduled payments, as defined in the agreement, over the prepaid principal.

The revolving credit facility (the "Facility") consists of an $80 million 5-year facility that expires in September 2005 and an $80 million 364-day facility that expires in September 2004. Interest on borrowings under the 5-year facility is payable at rates that are based on the London InterBank Offered Rate ("LIBOR") plus a premium that can range from 18 basis points to 50 basis points depending on the Company's ratio of total indebtedness to earnings before interest, taxes, depreciation and amortization ("Earnings Coverage Ratio"), as defined in the related agreement. At June 30, 2004, such premium was 18 basis points. Interest on borrowings under the 364-day facility is payable at rates that are based on LIBOR plus a premium of 30.5 basis points. The Company also pays annual facility fees, regardless of borrowing activity under the Facility. The annual fees for the 5-year facility can range from 7 basis points of the facility amount to 12.5 basis points, depending on the Company's Earnings Coverage Ratio, and were 7 basis points at June 30, 2004. The annual fees for the 364-day facility are 7 basis points. Under each facility, the Company also pays a utilization fee of 12.5 basis points on borrowings outstanding when the aggregate amount outstanding under such facility exceeds 33% of the facility amount. Interest paid under the Facility for the three and six months ended June 30, 2003 was $0.2 million and $0.6 million, respectively. No interest was paid under the Facility for the three and six months ended June 30, 2004 as no borrowings were outstanding during those periods.

Management may consider pursuing additional long-term financing when it is appropriate in light of cash requirements for share repurchase and other strategic opportunities, which would result in higher financing costs.

The Notes and the Facility (the "Agreements") contain covenants that, among other things, restrict the ability of the Company and its subsidiaries, without the approval of the lenders, to engage in mergers, consolidations, asset sales and sale-leaseback transactions or to incur liens. The Notes and the Facility also contain financial covenants that, among other things, require the Company to maintain an interest coverage ratio, as defined in the Agreements, of not less than 3 to 1, and an Earnings Coverage Ratio, as defined in the Agreements, of not more than 4 to 1. At June 30, 2004, the Company was in compliance with such covenants. If an event of default were to occur (as defined in the Agreements) and was not remedied by the Company within the stipulated timeframe, an acceleration of the Notes and restrictions on the use of the Facility could occur.

Off-Balance Sheet Arrangements

At June 30, 2004 Moody's did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as special purpose or variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes. As such, Moody's is not exposed to any financing, liquidity, market or credit risk that could arise if it had engaged in such relationships.

Contractual Obligations

As of June 30, 2004, there have not been any material changes in Moody's contractual obligations as presented in its annual report on Form 10-K for the year ended December 31, 2003.

Dividends

On July 9, 2004, the Board of Directors of the Company approved a quarterly dividend of 7.5 cents per share of Moody's common stock, payable on September 10, 2004 to shareholders of record at the close of business on August 20, 2004.

Outlook

Moody's outlook for 2004 is based on assumptions about many macroeconomic and capital market factors, including interest rates, consumer spending, corporate profitability and business investment spending and capital markets issuance activity. There is an important degree of uncertainty surrounding these assumptions and, if actual conditions differ from these assumptions, Moody's results for the year may differ significantly from the outlook presented below.

In the U.S., Moody's expects low single-digit revenue growth for the ratings and research business for the full year 2004. The Federal Reserve has implemented the first of what is expected to be a series of increases to its target interest rate. Yields on benchmark instruments, such as 10-year U.S. treasuries, have increased in anticipation of further rate increases by the Federal Reserve. The Company expects that higher borrowing costs, combined with high business profits from current production, which reduce the need for corporations to fund business investment with debt, will continue to result in weak U.S. investment grade corporate issuance. Issuance in the high yield market, though still strong, has slowed from the very strong levels of the second half of 2003 and the first quarter of 2004. For the full year 2004, Moody's expects U.S. corporate finance and financial institutions revenue to grow modestly versus 2003, including the benefits of new products, particularly the Enhanced Analysis Initiative.

In the U.S. structured finance market, revenue from rating residential mortgage and home equity securities has been stronger than last year and than the Company anticipated at the start of the year due to both volume and gains in Moody's ratings coverage. However, mortgage re-financings and originations have slowed recently in response to rising interest rates and the Company expects revenue to slow in the second half of the year, which should result in a modest decline in full-year 2004 revenue in this business compared with 2003. Moody's expects credit card and vehicle securitization issuance in 2004 to be similar to that of 2003, which anticipates issuance increasing somewhat in the second half of the year compared with the first. Asset-backed commercial paper should continue to show weakness, but the Company expects good growth in commercial mortgage-backed securities and credit derivatives. Accordingly, for the full year Moody's expects single-digit percent revenue growth in U.S. structured finance.

In U.S. public finance, the Company continues to expect a year-to-year revenue decline, and are forecasting continued strong growth in the research business.

Outside the U.S. Moody's continues to expect low double-digit percent revenue growth in the combined corporate and financial institutions ratings businesses. The Company is also projecting high teens percent year-over-year revenue growth for international structured finance ratings due to good revenue increases from rating European credit derivatives, European and Japanese residential and commercial mortgage-backed securities and Japanese asset-backed securities. Moody's also expects the strong growth in international research revenue in the first half to continue. These expectations, which include favorable foreign currency impacts, should produce high teens percent international ratings and research revenue growth in 2004. Finally, the Company expects low-teens percent revenue growth at Moody's KMV on a global basis.

Moody's expenses for 2004 will likely reflect continued investment in the Enhanced Analysis Initiative and technology to support the growing research business, and continued hiring to support growth areas of the business. Moody's expects the operating margin to be approximately 100 basis points lower in 2004 compared with 2003. This reflects the investments being made and the faster growth of the lower margin MKMV business for the rest of the year as well as the impact of higher stock-based compensation expense in 2004 compared with 2003.

Overall for 2004, Moody's expects that year-over-year growth in revenue will be in the high single-digit percent range and that growth in diluted earnings per share will be in the mid single-digit to high single-digit percent range. Reported earnings per share includes the impacts of the insurance gain in 2003, the legacy tax exposures in 2003 and 2004, and the impact of expensing stock-based compensation in both years. The impact of expensing stock-based compensation is expected to be in the range of $25 million pre-tax in 2004, equivalent to $0.10 - $0.11 per diluted share, compared to $10.5 million, or $0.04 per diluted share, in 2003.

Contingencies

From time to time, Moody's is involved in legal and tax proceedings, claims and litigation that are incidental to the Company's business, including claims based on ratings assigned by Moody's. Management periodically assesses the Company's liabilities and contingencies in connection with these matters, based upon the latest information available. For those matters where the probable amount of loss can be reasonably estimated, the Company believes it has recorded appropriate reserves in the consolidated financial statements and periodically adjusts these reserves as appropriate. In other instances, because of the uncertainties related to both the probable outcome and amount or range of loss, management is unable to make a reasonable estimate of a liability, if any. As additional information becomes available, the Company adjusts its assessments and estimates of such liabilities accordingly.

Based on its review of the latest information available, in the opinion of management, the ultimate liability of the Company in connection with pending legal and tax proceedings, claims and litigation will not have a material adverse effect on Moody's financial position, results of operations or cash flows, subject to the contingencies described below.

Legacy Contingencies

To understand the Company's exposure to the potential liabilities described below, it is important to understand the relationship between Moody's and New D&B, and the relationship among New D&B and its predecessors and other parties who, through various corporate reorganizations and related contractual commitments, have assumed varying degrees of responsibility with respect to such matters.

In November 1996, The Dun & Bradstreet Corporation through a spin-off separated into three separate public companies: The Dun & Bradstreet Corporation, ACNielsen Corporation ("ACNielsen") and Cognizant Corporation ("Cognizant") (the "1996 Distribution"). Under the terms of the distribution agreement relating to the 1996 Distribution, each party thereto is prohibited from distributing to its stockholders any business that had been allocated to it in connection with the 1996 Distribution, unless the distributed business delivers an undertaking agreeing to be jointly and severally liable to the other parties under the 1996 distribution agreement for the liabilities of the distributing parent company under the 1996 distribution agreement.

In June 1998, The Dun & Bradstreet Corporation through a spin-off separated into two separate public companies: The Dun & Bradstreet Corporation and R.H. Donnelley Corporation ("Donnelley") (the "1998 Distribution"). During 1998, Cognizant through a spin-off separated into two separate public companies: IMS Health Incorporated ("IMS Health") and Nielsen Media Research, Inc. ("NMR"). In September 2000, The Dun & Bradstreet Corporation ("Old D&B") through a spin-off separated into two separate public companies: New D&B and Moody's, as further described in note 1 to the condensed consolidated financial statements.

Information Resources, Inc.

The following is a description of an antitrust lawsuit filed in 1996 by Information Resources, Inc. ("IRI"). As more fully described below, VNU N.V., a publicly traded Dutch company, and its U.S. subsidiaries, VNU, Inc., ACNielsen Corporation ("ACNielsen"), AC Nielsen (US), Inc. ("ACN (US)"), and Nielsen Media Research, Inc. ("NMR") (collectively, the "VNU Parties"), have assumed exclusive joint and several liability for any judgment or settlement of this antitrust lawsuit. As a result of the indemnity obligation, Moody's does not have any exposure to a judgment or settlement of this lawsuit unless the VNU Parties default on their obligations. However, in the event of such a default, contractual commitments undertaken by Moody's in connection with various corporate reorganizations since 1996 would require the Company to bear a portion of any amount not paid by the VNU Parties.

In July 1996, IRI filed a complaint, subsequently amended in 1997, in the U.S. District Court for the Southern District of New York, naming as defendants the corporation then known as The Dun & Bradstreet Corporation, A.C. Nielsen Company (a subsidiary of ACNielsen) and IMS International, Inc. (a subsidiary of the company then known as Cognizant). At the time of the filing of the complaint, each of the other defendants was a subsidiary of The Dun & Bradstreet Corporation.

The amended complaint alleges various violations of United States antitrust laws under Sections 1 and 2 of the Sherman Act. The amended complaint also alleges a claim of tortious interference with a contract and a claim of tortious interference with a prospective business relationship. These claims relate to the acquisition by defendants of Survey Research Group Limited ("SRG"). IRI alleged SRG violated an alleged agreement with IRI when it agreed to be acquired by defendants and that defendants induced SRG to breach that agreement.

IRI's antitrust claims allege that defendants developed and implemented a plan to undermine IRI's ability to compete within the United States and foreign markets in North America, Latin America, Asia, Europe and Australia/New Zealand through a series of anti-competitive practices, including: unlawfully tying/bundling services in the markets in which defendants allegedly had monopoly power with services in markets in which ACNielsen competed with IRI; entering into exclusionary contracts with retailers in certain countries to deny IRI's access to sales data necessary to provide retail tracking services or to artificially raise the cost of that data; predatory pricing; acquiring foreign market competitors with the intent of impeding IRI's efforts to expand; disparaging IRI to financial analysts and clients; and denying IRI access to capital necessary for it to compete.

IRI's amended complaint originally alleged damages in excess of $350 million, which IRI asked to be trebled under antitrust laws. IRI has since revised its allegation of damages to exceed $650 million, which IRI also asked to be trebled. IRI has filed with the court the report of its expert who has opined that IRI suffered damages of between $581.6 million and $651.7 million from the defendants' alleged practices. IRI also sought punitive damages in an unspecified amount.

In April 2003, the court denied a motion for partial summary judgment by defendants that sought to dismiss certain of IRI's claims and granted in part a motion by IRI seeking reconsideration of certain summary judgment rulings the Court had previously made in favor of defendants. The motion granted by the Court concerns IRI's claims of injuries from defendants' alleged conduct in certain foreign markets.

Pursuant to a scheduling order entered by the Court on April 8, 2004, discovery is scheduled to end on November 1, 2004, and trial is scheduled to begin on April 18, 2005.

On June 21, 2004, pursuant to a stipulation between IRI and defendants, the Court ordered that certain of IRI's claims be dismissed with prejudice from the lawsuit, including the claims that defendants tortiously interfered with the SRG acquisition. The Company believes that the dismissal of the tortious interference claims also precludes any claim for punitive damages.

In connection with the 1996 Distribution, NMR (then known as Cognizant Corporation), ACNielsen and Donnelley (then known as The Dun & Bradstreet Corporation) entered into an Indemnity and Joint Defense Agreement (the "Original Indemnity and Joint Defense Agreement"), pursuant to which they agreed to:

- allocate potential liabilities that may relate to, arise out of or result from the IRI lawsuit ("IRI Liabilities"); and
- conduct a joint defense of such action.

In particular, the Original Indemnity and Joint Defense Agreement provided that:

- ACNielsen would assume exclusive liability for IRI Liabilities up to a maximum amount to be calculated at such time as such liabilities became payable as a result of a final non-appealable judgment or any settlement permitted under the Original Indemnity and Joint Defense Agreement (the “ACN Maximum Amount”); and
- Donnelley and NMR would share liability equally for any amounts in excess of the ACN Maximum Amount.

The Original Indemnity and Joint Defense Agreement also provided that if it becomes necessary to post any bond pending an appeal of an adverse judgment, then NMR and Donnelley shall obtain the bond required for the appeal, and each shall pay 50% of the costs of such bond, if any, which cost will be added to IRI Liabilities.

In 2001, ACNielsen was acquired by VNU N.V., which assumed ACNielsen’s obligations under the Original Indemnity and Joint Defense Agreement. Pursuant to the Original Indemnity and Joint Defense Agreement, VNU N.V. was to be included with ACNielsen for purposes of determining the ACN Maximum Amount.

In connection with the 1998 Distribution, Old D&B and Donnelley (then known as The Dun & Bradstreet Corporation) entered into an agreement (the “1998 Distribution Agreement”) whereby Old D&B assumed all potential liabilities of Donnelley arising from the IRI action and agreed to indemnify Donnelley in connection with such potential liabilities. Under the terms of the 2000 Distribution, New D&B undertook to be jointly and severally liable with Moody’s for Old D&B’s obligations to Donnelley under the 1998 Distribution Agreement, including any liabilities arising under the Original Indemnity and Joint Defense Agreement, and any liabilities arising from the IRI action itself. However, as between New D&B and Moody’s, it was agreed that under the 2000 Distribution, each of New D&B and Moody’s will be responsible for 50% of any payments required to be made to or on behalf of Donnelley with respect to the IRI action under the terms of the 1998 Distribution Agreement, including legal fees or expenses related to the IRI action.

On July 30, 2004, the VNU Parties, Donnelley, Moody’s, New D&B and IMS Health entered into an Amended and Restated Indemnity and Joint Defense Agreement (the “Amended Indemnity and Joint Defense Agreement”).

Pursuant to the Amended Indemnity and Joint Defense Agreement, any and all IRI Liabilities incurred by Donnelley, Moody’s, New D&B or IMS Health relating to a judgment (even if not final) or any settlement entered into in the IRI action will be jointly and severally assumed, and fully discharged, exclusively by the VNU Parties. Under the Amended Indemnity and Joint Defense Agreement, the VNU Parties have agreed to, jointly and severally, indemnify Donnelley, Moody’s, New D&B and IMS Health from and against all IRI Liabilities to which they become subject. As a result, the concept of “ACN Maximum Amount” which used to cap ACNielsen’s liability for the IRI Liabilities no longer exists and all such liabilities are the responsibility of the VNU Parties pursuant to the Amended Indemnity and Joint Defense Agreement.

In addition, the Amended Indemnity and Joint Defense Agreement provides that if it becomes necessary to post any bond pending an appeal of an adverse judgment, the VNU Parties shall obtain the bond required for the appeal and shall pay the full cost of such bond.

In connection with entering into the Amended Indemnity and Joint Defense Agreement, Donnelley, Moody’s, New D&B and IMS Health agreed to amend certain covenants of the Original Indemnity and Joint Defense Agreement to provide operational flexibility for ACNielsen going forward. In addition, the Amended Indemnity and Joint Defense Agreement includes certain amendments to the covenants of ACNielsen (which, under the Amended Indemnity and Joint Defense Agreement, are now also applicable to ACN (US)), which are designed to preserve such parties’ claims-paying ability and protect Donnelley, Moody’s, New D&B and IMS Health. Among other covenants, ACNielsen and ACN (US) agreed that neither they nor any of their respective subsidiaries will incur any indebtedness to any affiliated person, except indebtedness which its payment will, after a payment obligation under the Amended Indemnity and Joint Defense Agreement comes due, be conditioned on, and subordinated to, the payment and performance of the obligations of such parties under the Amended Indemnity and Joint Defense Agreement. VNU N.V. has agreed to having a process agent in New York to receive on its behalf service of any process concerning the Amended Indemnity and Joint Defense Agreement.

As described above, the VNU Parties have assumed exclusive responsibility for the payment of all IRI Liabilities. Provided that the VNU Parties are able to fulfill their obligations under the Amended Indemnity and Joint Defense Agreement, and that they ultimately do fulfill such obligations, Moody’s believes that the resolution of the IRI action should not materially affect the Company’s financial position, results of operations, or cash flows.

However, because liability for violations of the antitrust laws is joint and several and because the rights and obligations relating to the Amended Indemnity and Joint Defense Agreement are based on contractual relationships, the failure of the VNU Parties to fulfill their obligations under the Amended Indemnity and Joint Defense Agreement could result in the other parties bearing all or a portion of the IRI Liabilities. Joint and several liability for the IRI action means that even where more than one defendant is determined to have been responsible for an alleged wrongdoing, the plaintiff can collect all or part of the judgment from just one of the defendants. This is true regardless of whatever contractual allocation of responsibility the defendants and any other indemnifying parties may have made, including the allocations described above between the VNU Parties, Donnelley, Moody’s, New D&B and IMS Health.

Accordingly, and as a result of the allocations of liability described above, in the event the VNU Parties default on their obligations under the Amended Indemnity and Joint Defense Agreement, each of Moody’s and New D&B will be responsible for the payment of 50% of the portion of any judgment or settlement ultimately paid by Donnelley (which is a defendant in the IRI action), which can be as high as all the IRI Liabilities.

The Company is unable to predict at this time the outcome of the IRI action, the financial condition of any of the VNU parties or the other defendants at the time of any such outcome, or whether the VNU Parties or the other defendants will fulfill their obligations under the Amended Indemnity and Joint Defense Agreement or other related contractual agreements. Hence, the Company cannot estimate such parties’ ability to pay the IRI Liabilities pursuant to the Amended Indemnity and Joint Defense Agreement or the amount of the judgment or settlement in the IRI action. Accordingly, no amount in respect of this matter has been accrued in the Company’s consolidated financial statements. As discussed above, provided that the VNU Parties ultimately fulfill their obligations under the Amended Indemnity and Joint Defense Agreement, Moody’s believes that the resolution of the IRI action should not materially affect the Company’s financial position, results of operations, or cash flows. If, however, IRI were to prevail in whole or in part in this action and Moody’s is required to pay, notwithstanding such contractual obligations, a portion of any significant settlement or judgment, the outcome of this matter could have a material adverse effect on Moody’s financial position, results of operations, and cash flows.

Legacy Tax Matters

Old D&B and its predecessors entered into global tax planning initiatives in the normal course of business, including through tax-free restructurings of both their foreign and domestic operations. These initiatives are subject to normal review by tax authorities.

Pursuant to a series of agreements, as between themselves, IMS Health and NMR are jointly and severally liable to pay one-half, and New D&B and Moody’s are jointly and severally liable to pay the other half, of any payments for taxes, penalties and accrued interest resulting from unfavorable IRS rulings on certain tax matters as described in such agreements (excluding the matter described below as “Amortization Expense Deductions” for which New D&B and Moody’s are solely responsible) and certain other potential tax liabilities, also as described in such agreements, after New D&B and/or Moody’s pays the first $137 million, which amount was paid in connection with the matter described below as “Utilization of Capital Losses”.

In connection with the 2000 Distribution and pursuant to the terms of the related Distribution Agreement, New D&B and Moody’s have, between themselves, agreed to each be financially responsible for 50% of any potential liabilities that may arise to the extent such potential liabilities are not directly attributable to their respective business operations.

Without limiting the generality of the foregoing, three specific tax matters are discussed below.

Royalty Expense Deductions

During the second quarter of 2003, New D&B received an Examination Report from the IRS with respect to a partnership transaction entered into in 1993. In this Report, the IRS stated its intention to disallow certain royalty expense deductions claimed by Old D&B on its tax returns for the years 1993 through 1996 (the "Royalty Report"). In the first quarter of 2004, New D&B received a similar Examination Report (the "Second Royalty Report") relating to the first quarter of 1997.

During the second quarter of 2003, New D&B also received an Examination Report from the IRS stating its intention to ignore the partnership structure that had been established in 1993 in connection with the above transaction, and to reallocate to Old D&B income and expense items that had been reported in the partnership tax return for 1996 (the "Reallocation Report"). New D&B also received a similar Examination Report (the "Second Reallocation Report") issued to the partnership with respect to the first quarter of 1997.

In June 2004, New D&B and the IRS conducted a mediation of these issues. As a result of the mediation, New D&B and the IRS reached a basis for settlement with regard to the Royalty Report for 1995 and 1996 and the Reallocation Report. In addition, New D&B and the IRS reached a basis for settlement of certain tax refund claims made by Old D&B related to 1995 and 1996. Moody's estimates that its share of the cost of this tentative settlement will be approximately $31 million, reflecting anticipated cash payments of approximately $24 million and the write-off of approximately $7 million of deferred tax assets related to tax refund claims. The tentative settlement will not be finalized until a formal agreement is executed, which is expected to be during the second half of 2004, and it is possible that Moody's share of the related cost could differ from the Company's current estimate.

The mediation settlement did not resolve either the Second Royalty Report or the Second Reallocation Report. New D&B disagrees with the positions taken by the IRS in these reports and previously had filed a protest with the IRS Appeals Office. If the IRS Appeals Office were to uphold these reports, then New D&B could either: (1) accept and pay the IRS assessment; (2) challenge the assessment in U.S. Tax Court; or (3) challenge the assessment in U.S. District Court or the U.S. Court of Federal Claims, where in either case payment of the assessment would be required in connection with such challenge. Should any such payments be made by New D&B, then pursuant to the terms of the 2000 Distribution Agreement, Moody's would have to pay to New D&B its 50% share. Moody's believes that the positions taken by the IRS in the Second Royalty Report and Second Reallocation Report are inconsistent with each other. Accordingly, while it is possible that the IRS could ultimately prevail in whole or in part on one of such positions, Moody's believes that it is unlikely that the IRS will prevail on both. Moody's estimates that its share of the required payment to the IRS for this matter could be up to $2 million (including penalties and interest, and net of tax benefits).

During the mediation, the IRS claimed that certain tax refund claims made by Old D&B related to 1993 and 1994 may be offset by tax liabilities relating to the above mentioned partnership formed in 1993. New D&B disagrees with the position taken by the IRS and plans to file a protest with the IRS Appeals Office. If the protest is unsuccessful New D&B can either: (1) abandon its tax refund claims; or (2) challenge the IRS claim in U.S. District Court or the U.S. Court of Federal Claims. Moody's estimates that its exposure for the write-off of deferred tax assets related to these tax refund claims could be up to $9 million.

Amortization Expense Deductions

In April 2004, New D&B received Examination Reports (the "April Examination Reports") from the IRS with respect to a partnership transaction. This transaction was entered into in 1997 and could result in amortization expense deductions on the tax returns of Old D&B and New D&B from 1997 through 2012.

In the April Examination Reports, the IRS stated its intention to disallow the amortization expense deductions related to this partnership that were claimed by Old D&B on its 1997 and 1998 tax returns. New D&B disagrees with the position taken by the IRS and can either: (1) accept and pay the IRS assessment; (2) challenge the assessment in U.S Tax Court; or (3) challenge the assessment in U.S. District Court or the U.S. Court of Federal Claims, where in either case payment of the disputed amount would be required in connection with such challenge. IRS audits of Old D&B's or New D&B's tax returns for years subsequent to 1998 could result in the issuance of similar Examination Reports, in which case New D&B would also have the aforementioned three courses of action.

Should any such payments be made by New D&B related to either the April Examination Reports or any potential Examination Reports for future years, including years subsequent to the separation of Moody's from New D&B, then pursuant to the terms of the 2000 Distribution Agreement, Moody's would have to pay to New D&B its 50% share. In addition, should New D&B discontinue claiming the amortization deductions on future tax returns, Moody's would be required to repay to New D&B an amount equal to the discounted value of its 50% share of the related future tax benefits. New D&B had paid the discounted value of future tax benefits from this transaction in cash to Moody's at the Distribution Date. Moody's estimates that the Company's current potential exposure could be up to $94 million (including penalties and interest, and net of tax benefits). This exposure could increase by approximately $3 million to $6 million per year, depending on actions that the IRS may take and on whether New D&B continues claiming the amortization deductions on its tax returns.

In the April Examination Reports, the IRS also stated its intention to disallow certain royalty expense deductions claimed by Old D&B on its 1997 and 1998 tax returns with respect to the partnership transaction. In addition, the IRS stated its intention to disregard the partnership structure and to reallocate to Old D&B certain partnership income and expense items that had been reported in the partnership tax returns for 1997 and 1998. New D&B disagrees with the positions taken by the IRS and can take any of the three courses of action described in the second paragraph. IRS audits of Old D&B's or New D&B's tax returns for years subsequent to 1998 could result in the issuance of similar Examination Reports for the subsequent years. Should any such payments be made by New D&B related to either the April Examination Reports or any potential Examination Reports for future years, then pursuant to the terms of the 2000 Distribution Agreement, Moody's would have to pay to New D&B its 50% share of New D&B's payments to the IRS for the period from 1997 through the Distribution Date. Moody's estimates that its share of the potential exposure to the IRS could be up to $127 million (including penalties and interest, and net of tax benefits). Moody's also could be obligated for future interest payments on its share of such liability.

New D&B has filed protests with the IRS Appeals Office regarding the April Examination Reports.

Moody's believes that the IRS's proposed assessments of tax against Old D&B and the proposed reallocations of partnership income and expense to Old D&B are inconsistent with each other. Accordingly, while it is possible that the IRS could ultimately prevail in whole or in part on one of such positions, Moody's believes that it is unlikely that the IRS will prevail on both.

Utilization of Capital Losses

The IRS has completed its review of the utilization of certain capital losses generated by Old D&B during 1989 and 1990. On June 26, 2000, the IRS, as part of its audit process, issued a formal assessment with respect to the utilization of these capital losses.

On May 12, 2000, an amended tax return was filed by Old D&B for the 1989 and 1990 tax years, which reflected $561.6 million of tax and interest due. Old D&B paid the IRS approximately $349.3 million of this amount on May 12, 2000; 50% of such payment was allocated to Moody's and had previously been accrued by the Company. IMS Health informed Old D&B that it paid to the IRS approximately $212.3 million on May 17, 2000. The payments were made to the IRS to stop further interest from accruing, and on September 20, 2000, Old D&B filed a petition for a refund in the U.S. District Court.

Pre-trial proceedings on this matter have been ongoing, and in July 2004, New D&B and the IRS reached a basis for settlement of all outstanding issues related to this matter. Moody's estimates that its share of the cost of this tentative settlement will be $12 million, reflecting anticipated cash payments of $2 million and the write-off of deferred tax assets of $10 million. The tentative settlement will not be finalized until a formal agreement is executed, which is expected to be during the second half of 2004, and it is possible that Moody's share of the related cost could differ from the Company's current estimate.

Summary of Moody's Exposure to Three Legacy Tax Matters

The Company considers from time to time the range and probability of potential outcomes related to the three legacy tax matters discussed above and establishes reserves that it believes are appropriate in light of the relevant facts and circumstances. In doing so, Moody's makes estimates and judgments as to future events and conditions and evaluates its estimates and judgments on an ongoing basis.

In the second quarter of 2004, the Company made adjustments to legacy tax reserves and deferred tax assets to reflect its current estimates of the probable exposures on these matters and the manner in which it expects the exposures to be resolved. These adjustments consisted of: (1) $26 million of write-offs and valuation allowances related to deferred tax assets; and (2) a $16 million reduction in legacy tax reserves, to $112 million at June 30, 2004. As a result of these adjustments, Moody's recorded an expense of $10 million, which is included in the Company's income tax provision, in the second quarter of 2004. The $112 million of legacy tax reserves at June 30, 2004 consist of approximately $26 million of current liabilities (reflecting the estimated cash payments related to the Royalty Expense Deductions and Utilization of Capital Losses matters that are expected to be made in the second half of 2004) and $86 million of non-current liabilities.

It is possible that the legacy tax matters could be resolved in amounts that are greater than the amounts reserved by the Company, which could result in additional charges that may be material to Moody's future reported results, financial position and cash flows. Although Moody's does not believe it is likely that the Company will ultimately be required to pay the full amounts presently being sought by the IRS, potential future outlays resulting from these matters could be as much as $275 million and could increase with time as described above.

Regulation

Moody's Investors Service voluntarily registers as an investment adviser under the Investment Advisers Act of 1940, as amended. Moody's has also been designated as a Nationally Recognized Statistical Rating Organization ("NRSRO") by the Securities and Exchange Commission ("SEC"). The SEC first applied the NRSRO designation in 1975 to agencies whose credit ratings could be used by broker-dealers for purposes of determining their net capital requirements. Since that time, Congress (in certain mortgage-related legislation), the SEC (in its regulations under the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended and the Investment Company Act of 1940, as amended) and other governmental and private bodies have used the ratings of NRSROs to distinguish between, among other things, "investment grade" and "non-investment grade" securities.

Over the past two years, U.S. regulatory and congressional authorities have questioned the suitability of employing ratings in federal securities laws; and if so, the potential need for altering the regulatory framework under which rating agencies operate. Pursuant to a mandate by the Sarbanes-Oxley Act of 2002 and a series of reports issued by the Congress and the SEC on the rating agency industry, on June 4, 2003 the SEC published a Concept Release requesting comment on the following three broad themes:

- Whether credit rating agencies should continue to be used for regulatory purposes under the federal securities laws?

- If ratings continue to be used in federal securities laws, what should be the process for approving rating agencies?

- If ratings continue to be used in federal securities laws, what should be the nature and extent of oversight?

Numerous market participants, including Moody's, responded to the call for comment. Moody's response can be found on the Company's website at *www.moodys.com* . At present, Moody's is unable to assess the likelihood of any regulatory changes that may result from the SEC's ongoing review, nor the nature and effect of any such regulatory changes.

Moody's is subject to regulation in certain non-U.S. jurisdictions in which it operates; some regulatory actions outside the United States are noted below:

First, as a consequence of the 2003 French Securities Law, Loi de Sécurité Financiére (the " LSF"), rating agencies operating in France are subject to a document retention obligation. Moreover, the newly formed French regulatory authority, L'Autorité des Marchés Financiers ("AMF"), will be required to publish an annual report on: the role of rating agencies; their business ethics, and the transparency of their methods; and, the impact of their activity on issuers and the financial markets. On June 30, 2004 Moody's submitted responses to a series of questions posed by the AMF in accordance with its mandate under the new law. The AMF has not yet released its first report on the rating agency industry.

Second, in February 2004 the European Parliament ("Parliament") adopted resolutions regarding rating agencies in Europe pursuant to an internal study and report. The resolutions call on the European Commission ("Commission") to conduct an analysis for registration of rating agencies in Europe, and possible registration criteria. The resolutions further ask the Commission and certain other European authorities to make specific recommendations by July 31, 2005 in light of any further developments or conclusions reached by the Financial Services Forum, the International Organization of Securities Commissions ("IOSCO"), and the U.S. SEC. As a result of the Parliamentary resolutions, in July 2004 the Commission mandated the Committee of European Securities Regulators ("CESR") to look at the rating agency industry and provide the Commission with advice by April 1, 2005 on the following four general areas:

- potential conflicts of interest within rating agencies, such as between advisory services and direct rating activities;
- transparency of rating agencies' methodologies;
- legal treatment of rating agencies' access to inside information; and
- concerns about possible lack of competition in the market for provision of credit ratings.

The CESR may look to such other areas of inquiry that it may deem to be necessary. In formulating its response to the Parliament, the Commission may reject the CESR's advice or alternatively adopt it in whole or in part. Moody's is presently not in a position to assess the outcome of the European assessment process.

Finally, in February 2004, the Technical Committee of IOSCO announced that it would develop, with the contribution of the credit rating agencies, a code of conduct for credit rating agencies. The proposed IOSCO code has not yet been made public, but a draft code is expected to be circulated for public comment by the end of August 2004. Moody's is not yet in a position to assess the outcome or the impact of such a code of conduct.

The Basel Committee on Banking Supervision has completed its work on a new capital adequacy framework ("Basel II") to replace its initial framework proposed in 1988. Under Basel II, ratings assigned by a credit rating agency would be an alternative available to banks to determine the risk weights for many of their credit exposures. The Basel Committee's new capital adequacy framework would institutionalize ratings of certain credit rating agencies as an alternative in the credit measurement processes of internationally active financial institutions and subject rating agencies to a broader range of oversight. It is anticipated that Basel II will be implemented by national regulatory authorities by January 2007. At this time Moody's cannot predict the long term impact of Basel II on the manner in which Moody's conducts its business. However, Moody's does not believe that Basel II will materially affect Moody's Investors Service's financial position or results of operations.

Other legislation and regulation relating to credit rating and research services has been considered from time to time by local, national and multinational bodies and is likely to be considered in the future. In certain countries, governments may provide financial or other support to locally-based rating agencies. In addition, governments may from time to time establish official rating agencies or credit ratings criteria or procedures for evaluating local issuers. If enacted, any such legislation and regulation could significantly change the competitive landscape in which Moody's operates. In addition, the legal status of rating agencies has been addressed by courts in various decisions and is likely to be considered and addressed in legal proceedings from time to time in the future. Management of Moody's cannot predict whether these or any other proposals will be enacted, the outcome of any pending or possible future legal proceedings, or the ultimate impact of any such matters on the competitive position, financial position or results of operations of Moody's.

Forward-Looking Statements

Certain statements contained in this quarterly report on Form 10-Q are forward-looking statements and are based on future expectations, plans and prospects for Moody’s business and operations that involve a number of risks and uncertainties. Those statements appear in the sections entitled “Outlook” and “Contingencies” under Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” commencing at page 21 of this quarterly report on Form 10-Q and elsewhere in the context of statements containing the words “believe”, “expect”, “anticipate”, “intend”, “forecast”, “project”, “estimate”, “should”, “could”, “may” and other words relating to Moody’s views on future events, trends and contingencies. The forward-looking statements and other information are made as of the date of this quarterly report on Form 10-Q, and the Company disclaims any duty to supplement, update or revise such statements on a going-forward basis, whether as a result of subsequent developments, changed expectations or otherwise. In connection with the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995, the Company is identifying certain factors that could cause actual results to differ, perhaps materially, from those indicated by these forward-looking statements. Those factors include, but are not limited to, changes in the volume of debt and other securities issued in domestic and/or global capital markets; changes in interest rates and other volatility in the financial markets; market perceptions of the utility and integrity of independent agency ratings; possible loss of market share through competition; introduction of competing products or technologies by other companies; pricing pressures from competitors and/or customers; the potential emergence of government-sponsored credit rating agencies; proposed U.S., foreign, state and local legislation and regulations, including those relating to Nationally Recognized Statistical Rating Organizations; possible judicial decisions in various jurisdictions regarding the status of and potential liabilities of rating agencies; the possible loss of key employees to investment or commercial banks or elsewhere and related compensation cost pressures; the outcome of any review by controlling tax authorities of the Company’s global tax planning initiatives; the outcome of those tax and legal contingencies that relate to Old D&B, its predecessors and their affiliated companies for which the Company has assumed portions of the financial responsibility; the outcome of other legal actions to which the Company, from time to time, may be named as a party; the ability of the Company to successfully integrate the KMV and MRMS businesses; a decline in the demand for credit risk management tools by financial institutions; and other risk factors as discussed in the Company’s annual report on Form 10-K for the year ended December 31, 2003 and in other filings made by the Company from time to time with the Securities and Exchange Commission.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

There has been no significant change in the Company’s exposure to market risk from December 31, 2003 to June 30, 2004. For a discussion of the Company’s exposure to market risk, refer to Item 7A, “Quantitative and Qualitative Disclosures about Market Risk”, contained in the Company’s annual report on Form 10-K for the year ended December 31, 2003.

Item 4. Controls And Procedures

Evaluation of Disclosure Controls and Procedures: The Company carried out an evaluation, as required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”), under the supervision and with the participation of the Company’s management, including the Company’s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures as of the end of the period covered by this report (the “Evaluation Date”). Based on such evaluation, such officers have concluded that, as of the Evaluation Date, the Company’s disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company’s periodic filings under the Exchange Act.

In addition, there were no significant changes in the internal control over financial reporting or in other factors that have materially affected or are reasonably likely to materially affect these internal controls over financial reporting during the period covered by this report.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, Moody's is involved in legal and tax proceedings, claims and litigation that are incidental to the Company's business including claims based on ratings assigned by Moody's. Management periodically assesses the Company's liabilities and contingencies in connection with these matters, based upon the latest information available. For those matters where the probable amount of loss can be reasonably estimated, the Company believes it has recorded appropriate reserves in the consolidated financial statements and periodically adjusts these reserves as appropriate. In other instances, because of the uncertainties related to both the probable outcome and amount or range of loss, management is unable to make a reasonable estimate of a liability, if any. As additional information becomes available, the Company adjusts its assessments and estimates of such liabilities accordingly.

The discussion of the litigation under Part I, Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Contingencies", commencing at page 30 of this report on Form 10-Q, is incorporated into this Item 1 by reference.

Based on its review of the latest information available, in the opinion of management, the ultimate liability of the Company in connection with pending legal and tax proceedings, claims and litigation will not have a material adverse effect on Moody's financial position, results of operations or cash flows, subject to the contingencies described in Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Contingencies".

Item 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities

MOODY'S PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Program (1)
April 1-30	—	—	—	$138.4 million
May 1-31	1,949,200	$63.92	1,949,200	$613.8 million
June 1-30	478,300	$64.99	478,300	$582.8 million
Total	2,427,500		2,427,500	

(1) As of the last day of the month. On May 24, 2004, the Company announced that its Board of Directors had authorized an additional $600 million share repurchase program, which includes both special share repurchases and systematic share repurchases to offset shares issued under Moody's stock-based compensation plans. There is no established expiration date of this authorization. During June 2004, the Company completed its previous $450 million program, which had been authorized by its Board of Directors in October 2002.

The share repurchases during the second quarter of 2004 offset 0.5 million shares issued under employee stock plans during the period. Since becoming a public company in September 2000 and through the second quarter of 2004, Moody's has repurchased 25.9 million shares at a total cost of $1.1 billion, including 11.3 million shares to offset issuances under employee stock plans.

Item 4. Submission of Matters to a Vote of Security Holders

Previously reported in the Company's Form 10-Q for the quarter ended March 31, 2004.

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Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

EXHIBIT NO. **DESCRIPTION**

3. ARTICLES OF INCORPORATION AND BY-LAWS

1 Restated Certificate of Incorporation of the Registrant dated June 15, 1998, as amended effective June 30, 1998, and as further amended effective October 1, 2000 (incorporated by reference to Exhibit 3.1 to the Report on Form 8-K of the Registrant, file number 1-14037, filed October 4, 2000).

2 Amended and Restated By-laws of the Registrant (incorporated by reference to Exhibit 3.2 of the Registrant's Registration Statement on Form 10, file number 1-14037, filed June 18, 1998).

10. MATERIAL CONTRACTS

1* Amended and Restated Indemnity and Joint Defense Agreement, dated as of July 30, 2004, among VNU, N.V., VNU, Inc., ACNielsen Corporation, AC Nielsen (US), Inc., Nielsen Media Research, Inc. (formerly, Cognizant Corporation), R.H. Donnelley Corporation (formerly, The Dun & Bradstreet Corporation), The Dun & Bradstreet Corporation, Moody's Corporation and IMS Health Incorporated.

31. CERTIFICATIONS PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

1* Chief Executive Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

2* Chief Financial Officer Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32. CERTIFICATIONS PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

1* Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.)

2* Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. (The Company has furnished this certification and does not intend for it to be considered filed under the Securities Exchange Act of 1934 or incorporated by reference into future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934.)

* Filed herewith.

(b) Reports on Form 8-K:

The Company furnished its first quarter earnings press release in a Current Report on Form 8-K on April 28, 2004, on which information was reported under Items 9 and 12.

The Company furnished its second quarter earnings press release in a Current Report on Form 8-K on July 28, 2004, on which information was reported under Items 9 and 12.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MOODY'S CORPORATION

Date: August 9, 2004

By: /s/ JEANNE M. DERING

Jeanne M. Dering
Senior Vice President and Chief Financial Officer
(principal financial officer and duly authorized officer)

Exhibit 10.1

AMENDED AND RESTATED

INDEMNITY AND JOINT DEFENSE AGREEMENT

This Amended and Restated Indemnity and Joint Defense Agreement (this “Agreement”), is entered into as of July 30, 2004, by and among VNU, N.V., a corporation organized under the laws of the Netherlands (“VNU”), VNU, Inc., a New York corporation and a wholly owned subsidiary of VNU (“VNU Inc.”), ACNielsen Corporation, a Delaware corporation and a wholly owned subsidiary of VNU (“ACNielsen”), AC Nielsen (US), Inc., a Delaware corporation and a wholly owned subsidiary of VNU Inc. (“New ACN”), Nielsen Media Research, Inc. (formerly, Cognizant Corporation (“Cognizant”)), a Delaware corporation and a wholly owned subsidiary of VNU Inc. (“NMR”), R.H. Donnelley Corporation (formerly, The Dun & Bradstreet Corporation (“Old D&B”)), a Delaware corporation (“Donnelley”), The Dun & Bradstreet Corporation, a Delaware corporation (“D&B”), Moody’s Corporation, a Delaware corporation (“Moody’s”), and IMS Health Incorporated, a Delaware corporation (“IMS”) (each individually, a “Party,” and collectively, the “Parties”).

WHEREAS , Old D&B, ACNielsen Company (a subsidiary of ACNielsen) and I.M.S. International, Inc. (formerly a subsidiary of Cognizant and a predecessor of IMS) have been named as defendants in an action commenced by Information Resources, Inc. (“IRI”) by the filing of its complaint dated July 29, 1996 in the action captioned Information Resources, Inc. v. The Dun & Bradstreet Corporation, A.C. Nielsen Co. and I.M.S. International, Inc. (S.D.N.Y.) 96 Civ. 5716 (this action and any amended complaint or action arising out of the same or substantially similar factual allegations by IRI or any successor or Affiliate thereof are referred to herein as the “Lawsuit”);

WHEREAS , Old D&B, Cognizant and ACNielsen are parties to an Indemnity and Joint Defense Agreement, dated as of October 28, 1996 (the “Original Agreement”), which provided for, among other things (i) allocation of financial responsibility among Old D&B, Cognizant and ACNielsen for the liabilities arising out of, or in connection with, the Lawsuit, and (ii) terms and conditions for the joint defense by the parties thereto against the Lawsuit;

WHEREAS, pursuant to the terms of the Distribution Agreement, dated as of October 28, 1996, among Old D&B, Cognizant and ACNielsen (the “1996 Distribution Agreement”), the shares of Cognizant and ACNielsen were distributed by Old D&B to the stockholders of Old D&B (the “1996 Distribution”);

WHEREAS, the 1996 Distribution Agreement provided for, among other things, assumptions of liabilities and cross indemnities designed to allocate among Old D&B, Cognizant and ACNielsen financial responsibility for the liabilities arising out of, or in connection with, the businesses conducted by Old D&B and its Subsidiaries before the 1996 Distribution;

WHEREAS, pursuant to the terms of the Distribution Agreement, dated as of June 30, 1998, between Cognizant (subsequently renamed NMR) and IMS (the “1998 Cognizant/IMS Distribution Agreement”), the shares of IMS were distributed by Cognizant to the stockholders of Cognizant (the “1998 Cognizant/IMS Distribution”);

WHEREAS, the 1998 Cognizant/IMS Distribution Agreement provided for, among other things, assumptions of liabilities and cross indemnities designed to allocate between Cognizant and IMS financial responsibility for the liabilities arising out of, or in connection with, the businesses conducted by Cognizant and its subsidiaries before the 1998 Cognizant/IMS Distribution, including Cognizant’s liabilities under the 1996 Distribution Agreement and the Original Agreement;

WHEREAS, under the terms of the 1996 Distribution Agreement, as a condition to the 1998 Cognizant/IMS Distribution, IMS was required to undertake, and did undertake, to each of Old D&B and ACNielsen to be jointly and severally liable with Cognizant for all of Cognizant’s liabilities under the 1996 Distribution Agreement;

WHEREAS, pursuant to the terms of the Distribution Agreement, dated as of June 30, 1998, between Old D&B (subsequently renamed Donnelley) and The New Dun & Bradstreet Corporation (subsequently renamed The Dun & Bradstreet Corporation) (the “1998 Old D&B/Donnelley Distribution Agreement”), the shares of The New Dun & Bradstreet Corporation were distributed by Old D&B to the stockholders of Old D&B (the “1998 Old D&B/Donnelley Distribution”);

WHEREAS, the 1998 Old D&B/Donnelley Distribution Agreement provided for, among other things, assumptions of liabilities and cross indemnities designed to allocate between Old D&B and The New Dun & Bradstreet Corporation financial responsibility for the liabilities arising out of, or in connection with, the businesses conducted by Old D&B and its subsidiaries before the 1998 Old D&B/Donnelley Distribution, including Old D&B’s liabilities under the 1996 Distribution Agreement and the Original Agreement;

WHEREAS, under the terms of the 1996 Distribution Agreement, as a condition to the 1998 Old D&B/Donnelley Distribution, The New Dun & Bradstreet Corporation was required to undertake, and did undertake, to each of Cognizant and ACNielsen to be jointly and severally liable with Old D&B for all of Old D&B’s liabilities under the 1996 Distribution Agreement;

WHEREAS, pursuant to the terms of the Agreement and Plan of Merger, dated as of August 15, 1999, among VNU USA, Inc. (“VNU USA”), Niner Acquisition, Inc., a wholly owned subsidiary of VNU USA (“Niner”), and NMR, Niner merged with and into NMR, with NMR continuing as the surviving corporation and a wholly owned subsidiary of VNU USA;

WHEREAS, pursuant to the terms of the Distribution Agreement, dated as of September 30, 2000, between The Dun & Bradstreet Corporation (subsequently renamed Moody’s) and The New Dun & Bradstreet Corporation (subsequently renamed

D&B) (the “2000 D&B/Moody’s Distribution Agreement”), the shares of D&B were distributed by Moody’s to the stockholders of Moody’s (the “2000 D&B/Moody’s Distribution”);

WHEREAS, the 2000 D&B/Moody’s Distribution Agreement provided for, among other things, assumptions of liabilities and cross indemnities designed to allocate between The Dun & Bradstreet Corporation and The New Dun & Bradstreet Corporation financial responsibility for the liabilities arising out of, or in connection with, the businesses conducted by The Dun & Bradstreet Corporation and its subsidiaries before the 2000 Distribution, including The Dun & Bradstreet Corporation’s liabilities under the 1996 Distribution Agreement, the Original Agreement and the 1998 Old D&B/Donnelley Distribution Agreement;

WHEREAS, under the terms of the 1996 Distribution Agreement, as a condition to the 2000 D&B/Moody’s Distribution, The New Dun & Bradstreet Corporation was required to undertake, and did undertake, to each of NMR (as successor to Cognizant) and ACNielsen to be jointly and severally liable with Donnelley (as successor to Old D&B) for all of Old D&B’s liabilities under the 1996 Distribution Agreement;

WHEREAS, under the terms of the 1998 Old D&B/Donnelley Distribution Agreement, as a condition to the 2000 D&B/Moody’s Distribution, The New Dun & Bradstreet Corporation was required to undertake, and did undertake, to Donnelley (as successor to Old D&B) to be jointly and severally liable with The Dun & Bradstreet Corporation for all of The Dun & Bradstreet Corporation’s liabilities under the 1998 Old D&B/Donnelley Distribution Agreement;

WHEREAS, pursuant to the terms of the Agreement and Plan of Merger, dated as of December 17, 2000, among VNU, Artist Acquisition, Inc., a wholly owned subsidiary of VNU (“Artist”), and ACNielsen, Artist merged with and into ACNielsen, with ACNielsen continuing as the surviving corporation and a wholly owned subsidiary of VNU (the “ACNielsen Acquisition”);

WHEREAS, under the terms of the Original Agreement, in connection with the ACNielsen Acquisition, VNU was required to assume, and did assume, all of ACNielsen’s obligations under the Original Agreement;

WHEREAS, pursuant to the terms and subject to the limitations hereof, VNU, VNU Inc., ACNielsen, New ACN and NMR, jointly and severally, have agreed, *inter alia* , (i) to assume and duly and punctually perform, be bound by, and otherwise discharge in accordance with their terms the IRI Liabilities and (ii) indemnify Donnelley (as successor to Old D&B), D&B, Moody’s and IMS against any IRI Liabilities which may be incurred, directly or indirectly, by any of them;

WHEREAS, the Parties believe that they have a mutuality of interest in a joint defense in connection with the Lawsuit and any additional actions, investigations or proceedings that have arisen or may arise in connection with the subject matter of the Lawsuit;

WHEREAS, it is the intention and understanding of the Parties that communications between and among them as provided herein and any joint interviews of prospective witnesses for the purpose of a joint defense are confidential and are protected from disclosure to any third party by the attorney-client privilege, the work product doctrine and any other applicable privileges;

WHEREAS, in order to pursue a joint defense effectively, the Parties have also concluded that, from time to time, their mutual interests will be best served by sharing privileged material, mental impressions, memoranda, interview reports and other work products and information, including the confidences of each party;

WHEREAS, it is a purpose of this Agreement to insure that the exchanges and disclosures of privileged materials contemplated herein do not diminish or constitute a waiver of any privilege that may otherwise be available by virtue of any prior agreement, conduct, operation of law or otherwise;

WHEREAS, the Parties desire to amend and restate the Original Agreement as set forth herein and each Party expressly acknowledges that the execution and delivery of this Agreement does not in any manner constitute an admission that the Lawsuit has any merit.

NOW, THEREFORE, in consideration of the mutual promises, covenants and releases contained in this Agreement, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

ARTICLE I
DEFINITIONS

SECTION 1.1. Definitions. The following terms shall have the following meanings:

"1996 Distribution" shall have the meaning set forth in the recitals hereto.

"1996 Distribution Agreement" shall have the meaning set forth in the recitals hereto.

"1998 Cognizant/IMS Distribution" shall have the meaning set forth in the recitals hereto.

"1998 Cognizant/IMS Distribution Agreement" shall have the meaning set forth in the recitals hereto.

"1998 Old D&B/Donnelley Distribution " shall have the meaning set forth in the recitals hereto.

"1998 Old D&B/Donnelley Distribution Agreement" shall have the meaning set forth in the recitals hereto.

"2000 D&B/Moody's Distribution" shall have the meaning set forth in the recitals hereto.

"2000 D&B/Moody's Distribution Agreement" shall have the meaning set forth in the recitals hereto.

"ACNielsen" shall have the meaning set forth in the recitals hereto.

"ACNielsen Acquisition" shall have the meaning set forth in the recitals hereto.

"Affiliate" of any specified Person means any other Person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of Voting Stock, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

"Ancillary Agreements" shall mean all of the written agreements, instruments, assignments or other written arrangements (other than this Agreement and the 1996 Distribution Agreement) entered into in connection with the transactions contemplated by this Agreement and the 1996 Distribution Agreement, including, without limitation, the Conveyancing and Assumption Instruments, the Data Services Agreement, the Employee Benefits Agreement, the Intellectual Property Agreement, the Shared Transaction Services Agreements, the TAM Master Agreement, the Tax Allocation Agreement and the Transition Services Agreement.

"Artist" shall have the meaning set forth in the recitals hereto.

"Board of Directors" shall mean, when used with respect to a specified corporation, the board of directors of the corporation so specified, and when used with respect to VNU, the executive board of VNU.

"Business Combination" means, with respect to any Person, any consolidation or merger or any sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the properties and assets of such Person as an entirety in one transaction or series of transactions.

"Business Day" means any day that is not a Saturday, a Sunday or any other day on which banks are required or authorized by law to be closed in New York, New York.

"Capital Lease Obligations" of a Person means any obligation which is required to be classified and accounted for as a capital lease for financial reporting purposes in accordance with GAAP; the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

"Capital Stock" means, with respect to any Person, any and all shares, interests, participations, rights to purchase, warrants, options, or other equivalents (however designated) of capital stock of a corporation, and any and all equivalent ownership interests in a Person other than a corporation, in each case whether now outstanding or hereafter issued.

"Cash Equivalents" means, at any time, (a) any evidence of Indebtedness with a maturity of 180 days or less from the date of acquisition issued or directly and fully guaranteed or insured by the United States of America or any agency or instrumentality thereof (provided, that the full faith and credit of the United States of America is pledged in support thereof); (b) certificates of deposit, money market deposit accounts and acceptances with a maturity of 180 days or less from the date of acquisition of any financial institution that is a member of the Federal Reserve System having combined capital and surplus and undivided profits of not less than $500 million; (c) commercial paper with a maturity of 180 days or less from the date of acquisition issued by a corporation that is not an Affiliate of a VNU Party whose debt rating, at the time as of which such investment is made, is at least "A-1" by Standard & Poor's Corporation or at least "P-1" by Moody's Investors Service, Inc., or rated at least an equivalent rating category of another nationally recognized securities rating agency; (d) repurchase agreements and reverse repurchase agreements having a term of not more than 30 days for underlying securities of the types described in clause (a) above entered into with a financial institution meeting the qualifications described in clause (b) above; (e) any security, maturing not more than 180 days after the date of acquisition, backed by standby or direct pay letters of credit issued by a bank meeting the qualifications described in clause (b) above; and (f) any security, maturing not more than 180 days after the date of acquisition, issued or fully guaranteed by any state, commonwealth, or territory of the United States of America, or by any political subdivision thereof, and rated at least "A" by Standard & Poor's Corporation or at least "A" by Moody's Investors Service, Inc., or rated at least an equivalent rating category of another nationally recognized securities rating agency.

"Cognizant" shall have the meaning set forth in the recitals hereto.

"Consolidated EBITDA" means for any period the sum of Consolidated Net Income *plus* , to the extent deducted in computing Consolidated Net Income, Consolidated Interest Expense, Consolidated Tax Expense, all depreciation and, without duplication, all amortization, in each case, for such period, of the Relevant Party and its Subsidiaries on a consolidated basis, all as determined in accordance with GAAP.

"Consolidated Interest Expense" means for any period the sum of (a) the aggregate of the interest expense on Indebtedness of the Relevant Party and its Subsidiaries for such period, on a consolidated basis as determined in accordance with GAAP (excluding the amortization of costs relating to original debt issuances but including the amortization of debt discount) *plus* (b) without duplication, that portion of

Capital Lease Obligations of the Relevant Party and its Subsidiaries representing the interest factor for such period as determined in accordance with GAAP *plus* (c) without duplication, dividends paid in respect of preferred stock of Subsidiaries or Disqualified Stock of the Relevant Party and its Subsidiaries to Persons other than the Relevant Party or a wholly owned Subsidiary of the Relevant Party.

"Consolidated Net Income" means, for any period, the net income or loss of the Relevant Party and its Subsidiaries for such period on a consolidated basis as determined in accordance with GAAP, adjusted by excluding the after-tax effect of (a) any gains (but not losses) from currency exchange transactions not in the ordinary course of business; (b) the net income of any Person which is not a Subsidiary of the Relevant Party or is accounted for by the equity method of accounting except to the extent of the amount of dividends or distributions actually paid in cash by such Person to the Relevant Party or a Subsidiary of the Relevant Party during such period; (c) except to the extent includible pursuant to clause (b), the net income of any Person accrued prior to the date it becomes a Subsidiary of the Relevant Party or is merged into or consolidated with the Relevant Party or any of its Subsidiaries or such Person's assets are acquired by the Relevant Party or any of its Subsidiaries; (d) net gains attributable to write-ups (determined after taking into account losses attributable to write-downs) of assets or liabilities other than in the ordinary course of business; (e) the cumulative effect of a change in accounting principles; and (f) net income from discontinued operations.

"Consolidated Net Worth" of a Person and its Subsidiaries means as of any date all amounts that would be included under stockholders' equity on a consolidated balance sheet of such Person and its Subsidiaries determined in accordance with GAAP.

"Consolidated Tax Expense" means for any period the aggregate of the federal, state, local and foreign income tax expense of the Relevant Party and its Subsidiaries for such period, on a consolidated basis as determined in accordance with GAAP, to the extent deducted in computing Consolidated Net Income.

"Covenant Party" shall have the meaning set forth in Section 3.1 hereto.

"Counsel of Record" shall have the meaning set forth in Section 4.1 hereto.

"D&B" shall have the meaning set forth in the recitals hereto.

"D&B Party" shall have the meaning set forth in Section 2.2 hereto.

"D&B Parties Counsel" shall have the meaning set forth in Section 4.1 hereto.

"Defense Costs" shall have the meaning set forth in Section 4.1 hereto.

"Defense Costs Statement" shall have the meaning set forth in Section 4.1 hereto.

"Defense Materials" shall have the meaning set forth in Section 4.1 hereto.

"Designated Officers" means, with respect to any VNU Party, the chief financial officer (or equivalent officer) of such VNU Party.

"Disqualified Stock" means any Capital Stock which pays a mandatory dividend (other than in Capital Stock) or which, by its terms (or by the terms of any security into which it is convertible or exchangeable), or upon the happening of any event, (i) matures or is mandatorily redeemable, pursuant to a sinking fund obligation or otherwise, (ii) is redeemable at the option of the holder thereof, in whole or in part or (iii) is convertible or exchangeable for Indebtedness or Disqualified Stock of any Relevant Party or its Subsidiaries.

"Donnelley" shall have the meaning set forth in the recitals hereto.

"Federal Funds Rate" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York.

"Fixed Charge Coverage Ratio" means for any period the ratio of Consolidated EBITDA to Consolidated Interest Expense for such period; provided, however, that in making such computation, the interest expense on any Indebtedness to be incurred and computed on a pro forma basis and bearing a floating interest rate shall be computed as if the rate in effect on the date of computation had been the applicable rate for the entire period.

"GAAP" means the generally accepted accounting principles in the United States, including those set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession in the United States, in each case applied on a consistent basis.

"IMS" shall have the meaning set forth in the recitals hereto.

"IMS Counsel" shall have the meaning set forth in Section 4.1 hereto.

"Indebtedness" means, with respect to any Person, without duplication, (a) the principal of and premium (if any) in respect of (i) indebtedness of such Person for money borrowed and (ii) indebtedness evidenced by notes, indentures, bonds, other similar instruments for the payment of which such Person is responsible or liable; (b) all Capital Lease Obligations of such Person; (c) all obligations of such Person issued or assumed as the deferred purchase price of property; (d) all obligations of such Person for the reimbursement of any obligor on any letter of credit or similar credit transaction; (e) all dividends on Capital Stock issued by third parties for the payment of which such

Person is responsible; (f) all obligations of the type referred to in clauses (a) through (e) above of third parties secured by any Lien on any property or asset of such Person, the amount of such obligation being deemed to be the lesser of the value of such property or assets or the amount of the obligation so secured; (g) indebtedness secured by any Lien existing on property acquired by such Person subject to such Lien, whether or not the indebtedness secured thereby shall have been assumed; provided, that if such Person has not assumed such Indebtedness the amount of Indebtedness of such Person shall be deemed to be the lesser of the value of such acquired property or the amount of the indebtedness secured; (h) guarantees, endorsements and other obligations, whether or not contingent, in respect of, or agreements to purchase or otherwise acquire, Indebtedness of other Persons; (i) all Disqualified Stock issued by such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends; (j) preferred stock issued by any Subsidiary of such Person valued at the greater of its voluntary or involuntary maximum fixed repurchase price plus accrued and unpaid dividends; and (k) all obligations under or in respect of Interest Rate Protection and Other Hedging Agreements.

For purposes of this definition, "maximum fixed repurchase price" of any preferred stock issued by any Subsidiary of a Person and of any Disqualified Stock which does not have a fixed repurchase price shall be calculated in accordance with the terms of such preferred stock or such Disqualified Stock as if such preferred stock or such Disqualified Stock were purchased on any date on which Indebtedness shall be required to be determined pursuant to this Agreement, and if such price is based upon, or measured by, the fair market value of such preferred stock or Disqualified Stock, such fair market value shall be determined in good faith by the Board of Directors of the issuer of such preferred stock or such Disqualified Stock.

"Indemnified Parties" shall have the meaning set forth in Section 2.2 hereto.

"Interest Rate Protection and Other Hedging Agreements" means one or more of the following agreements entered into by one or more financial institutions: (a) interest rate protection agreements (including, without limitation, interest rate, swaps, caps, floors, collars and similar agreements), (b) foreign exchange contracts, currency swap agreements or other similar agreements or arrangements designed to protect against fluctuations in currency values and/or (c) other types of hedging agreements from time to time.

"IRI" shall have the meaning set forth in the recitals hereto.

"IRI Investor" shall have the meaning set forth in Section 2.3 hereto.

"IRI Liabilities" shall have the meaning set forth in Section 2.1 hereto.

"Lawsuit" shall have the meaning set forth in the recitals hereto.

“Lien” means any mortgage, lien, pledge, security interest, conditional sale or other title retention agreement or other security interest or encumbrance of any kind (including any agreement to give any security interest).

“Moody’s” shall have the meaning set forth in the recitals hereto.

“Niner” shall have the meaning set forth in the recitals hereto.

“NMR” shall have the meaning set forth in the recitals hereto.

“Officer ” means the Chairman of the Board of Directors, the Vice-Chairman of the Board of Directors, the Chief Executive Officer or the Chief Financial Officer of the relevant party.

“Officer’s Certificate” means a certificate signed by an Officer.

“Old D&B” shall have the meaning set forth in the recitals hereto.

“Original Agreement” shall have the meaning set forth in the recitals hereto.

“Parent” of a Person means any other Person with the power to direct the management and policies of such Person, directly or indirectly, whether through ownership of Voting Stock, by contract or otherwise.

“Party” shall have the meaning set forth in the recitals hereto.

“Party Counsel” shall have the meaning set forth in Section 4.1 hereto.

“Permitted Related Person Subordinated Indebtedness” shall have the meaning set forth in Section 3.6 hereto.

“Person” means any natural person, corporation, business trust, joint venture, association, company, partnership or government, or any agency or political subdivision thereof.

“Prime Rate” means a fluctuating interest rate per annum in effect from time to time, which shall at all times be equal to the higher of (i) the rate of interest announced publicly by Citibank, N.A. in New York, New York, from time to time, as Citibank, N.A.’s prime rate and (ii) ½ of 1% per annum above the Federal Funds Rate.

“Process Agent” shall have the meaning set forth in Section 5.13 hereto.

“Related Person” means (a) any Affiliate of a Relevant Party, (b) any Person who directly or indirectly holds 5% or more of any class of Voting Stock of a Relevant Party or any Subsidiary of a Relevant Party, (c) any Person who is an executive officer or director of a Relevant Party and (d) any Affiliate of or any relative by blood, marriage or adoption not more remote than first cousin of any such Person referred to in clause (b) or (c) above.

"Relevant Party" shall have the meaning set forth in Section 3.4 hereto.

"Restricted Payment" means, with respect to a Covenant Party and its Subsidiaries, (a) any declaration or payment of any dividend on, or any distribution in respect of, or any purchase, redemption or retirement for value of, any Capital Stock of such Covenant Party or its Subsidiary or any deposit with respect to the foregoing (other than dividends or distributions payable solely to such Covenant Party), (b) any charitable contribution, (c) any voluntary payments to pension or other benefit plans, (d) any payments in respect of any Permitted Related Person Subordinated Indebtedness (other than amounts paid solely to a Covenant Party) or (e) any accelerated payment of any accounts payable or any cancellation or discounting of, or delay or extension in the collection of, any accounts receivable, unless such acceleration, cancellation, discounting, delay or extension, as the case may be, is in the ordinary course of such Person's business.

"Strategic Transaction" shall mean any direct or indirect acquisition or disposition of any business or of any assets comprising a business, or any acquisition or disposition of any interest in a joint venture or other equity investment in any business.

"Subordination Agreement" shall have the meaning set forth in Section 3.6 hereto.

"Subsidiary" shall mean any corporation, partnership or other entity of which another entity (a) owns, directly or indirectly, ownership interests sufficient to elect a majority of the Board of Directors (or persons performing similar functions) (irrespective of whether at the time any other class or classes of ownership interests of such corporation, partnership or other entity shall or might have such voting power upon the occurrence of any contingency) or (b) is a general partner or an entity performing similar functions (*e.g.* , a trustee). For purposes of this Agreement, the term "Subsidiary" as it relates to IMS shall be deemed to include the following former affiliates of IMS: Gartner Inc., Synavant, Inc. and Cognizant Technology Solutions Corporation, and their respective successors and assigns, provided, in the case of any such assigns, that VNU has granted its prior written consent to such assignment.

"Trust" shall have the meaning set forth in Section 2.3 hereto.

"VNU" shall have the meaning set forth in the recitals hereto.

"VNU USA" shall have the meaning set forth in the recitals hereto.

"VNU Inc." shall have the meaning set forth in the recitals hereto.

"VNU Party" shall have the meaning set forth in Section 2.1 hereto.

“Voting Stock” means all outstanding classes of Capital Stock of any Person ordinarily entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers, trustees or other voting members of the governing body of such Person.

“Withdrawing Party” shall have the meaning set forth in Section 4.1 hereto.

ARTICLE II
ALLOCATION OF LIABILITIES/
INDEMNIFICATION

SECTION 2.1. Allocation of Liabilities. The Parties agree that in the event that liabilities are incurred by any Party hereto or any Subsidiary (including, with respect to IMS, Gartner Inc., Synavant, Inc. and Cognizant Technology Solutions Corporation, and their respective successors and assigns, provided, in the case of any such assigns, that VNU has granted its prior written consent to such assignment) thereof, relating to, arising out of or resulting from a judgment being entered, or any settlement permitted hereby being entered into, in connection with the Lawsuit, any and all of such liabilities (“IRI Liabilities”) shall be jointly and severally assumed and duly and fully paid and discharged in accordance with their terms exclusively by VNU, VNU Inc., ACNielsen, New ACN and NMR (each, a “VNU Party” and, collectively, the “VNU Parties”). IRI Liabilities shall not include Defense Costs (whether or not paid), which shall be shared by the Parties in accordance with Section 4.1(h).

SECTION 2.2. Indemnification. The VNU Parties shall, jointly and severally, indemnify, defend and hold harmless Donnelley, D&B, Moody’s (collectively, the “D&B Parties”) and IMS and their respective Subsidiaries (including, with respect to IMS, Gartner Inc., Synavant, Inc. and Cognizant Technology Solutions Corporation, and their respective successors and assigns, provided, in the case of any such assigns, that VNU has granted its prior written consent to such assignment) (collectively, the “Indemnified Parties”) from and against, and shall reimburse the same for and in respect of, any and all IRI Liabilities assessed against any of them, or to which any of them becomes subject, as a result of the Lawsuit.

SECTION 2.3. Other Agreements Relating to Allocation of IRI Liabilities.

(a) If any of the D&B Parties or IMS acquires beneficial ownership of 20% or more of the outstanding contingent value rights issued by the Information Resources Inc. Litigation Contingent Payment Rights Trust (or any successor thereof) (the “Trust”) (an “IRI Investor”), then such IRI Investor shall be deemed to be Withdrawing Party for purposes of and with the consequences set forth in Section 4.1(g).

(b) The VNU Parties agree that if it shall be necessary to post any bond pending any appeal of the Lawsuit or otherwise in connection therewith, the

VNU Parties shall promptly procure such a bond and shall exclusively pay the full cost thereof.

(c) The directors of A.C. Nielsen Company immediately prior to the 1996 Distribution shall be third-party beneficiaries of the agreements set forth in Article II.

ARTICLE III
COVENANTS/ REPRESENTATION AND WARRANTIES

SECTION 3.1. Limitation on Restricted Payments.

(a) Neither ACNielsen nor New ACN (each a "Covenant Party" and, collectively, the "Covenant Parties") will, nor will they permit any of their Subsidiaries to, directly or indirectly, make any Restricted Payment if, at the time of such Restricted Payment, and after giving effect thereto, the aggregate amount of such Restricted Payment and all other Restricted Payments declared or made for the then current calendar year shall exceed the sum of:

(i) $30 million; and

(ii) 20% of the aggregate, without duplication, Consolidated Net Income (which, for purposes of this Section 3.1, shall not be less than zero) of the Covenant Parties accrued on a cumulative basis during the last four completed calendar quarters ending on or prior to the date of such proposed Restricted Payment;

provided, however, that the foregoing provisions will not prevent the payment of a dividend within 60 days after the date of its declaration if at the date of declaration such payment was permitted by the foregoing provisions.

(b) The amount of all Restricted Payments (other than cash) shall be the fair market value on the date of such Restricted Payment of the asset(s) or securities proposed to be paid, transferred or issued by such Covenant Party or its Subsidiary, as the case may be, pursuant to such Restricted Payment. The fair market value of any non-cash Restricted Payment shall be determined by the Board of Directors of such Covenant Party acting in good faith, whose determination shall be conclusive and whose resolution with respect thereto shall be delivered to each of the D&B Parties and IMS not later than three (3) days following the date of making such Restricted Payment, such determination to be based upon an opinion or appraisal issued by an internationally recognized investment banking firm if such fair market value is estimated to exceed $15 million.

SECTION 3.2. Limitation on Transactions with Related Persons.

(a) Neither Covenant Party will, nor will it permit any of its Subsidiaries to, directly or indirectly, enter into or suffer to exist any transaction or series of related transactions (including, without limitation, the sale, purchase, exchange or lease of assets, property or services) with any Related Person unless (i) such transaction or series of transactions is on terms that are no less favorable to the relevant Covenant Party or its Subsidiary, as the case may be, than would be available in a comparable transaction with an unrelated third party and (ii) where such transaction or series of transactions involves aggregate consideration (including, without limitation, the assumption of indebtedness) in excess of 7.5% of the aggregate Consolidated Net Worth of the Covenant Parties on a combined basis (without duplication) as of the end of the prior fiscal year, the relevant Covenant Party shall also deliver to each of the D&B Parties and IMS not later than the date of entering into any such transaction, an opinion from an internationally recognized investment banking firm chosen by such Covenant Party as to the fairness of such transaction or series of transactions to such Covenant Party or such Subsidiary from a financial point of view.

(b) For purposes of the foregoing, a series of related transactions will be deemed to include, without limitation, a series of transactions if, within six months of closing one transaction, another transaction is entered into with the same Person or with a successor or affiliate thereof.

(c) Notwithstanding the foregoing, the provisions of this Section 3.2 will not apply to (i) compensation or employee benefit arrangements with any officer or director of a Covenant Party or (ii) any Restricted Payment permitted to be made pursuant to this Agreement.

SECTION 3.3. Merger and Consolidation. Neither Covenant Party may engage in any Business Combination with any Person, unless:

(a) either:

(i) the Covenant Party shall be the continuing corporation and the Persons who were such Covenant Party's stockholders immediately prior to such Business Combination continue to hold more than 50% of the combined voting power of the Voting Stock of the continuing corporation upon consummation of such Business Combination; or

(ii) (A) such Person and such Person's Parent, if any, (x) shall be a corporation, partnership or trust organized and validly existing under the laws of the United States or any State thereof or the District of Columbia or (y) shall duly execute and deliver to each of the D&B Parties and IMS a consent to jurisdiction in the form set forth in Exhibit 3.3(A) hereto and (B) such Person and such Person's Parent, if any, shall expressly assume, by an instrument of assumption in the form set forth in Exhibit 3.3(B) hereto executed and delivered to each of the D&B Parties and IMS, all of the VNU Parties' obligations hereunder;

(b) immediately after the Business Combination, the Covenant Party and its Subsidiaries or such Person, or such Person's Parent, if any, and its Subsidiaries shall have a Consolidated Net Worth equal to or greater than the

Consolidated Net Worth of such Covenant Party and its Subsidiaries immediately prior to such Business Combination;

(c) the Covenant Party shall have delivered to each of the D&B Parties and IMS (i) an Officer's Certificate stating that such Business Combination complies with this Agreement and (ii) an Officer's Certificate and an opinion of reputable outside counsel, each stating that such consent to jurisdiction, in the event clause (a)(ii)(A)(y) is applicable, and such instrument of assumption, in the event clause (a)(ii)(B) is applicable, constitute legal, valid and binding obligations of such Person and such Person's Parent, if any, enforceable in accordance with their terms; and

(d) such Business Combination is permitted under Section 3.4 below.

SECTION 3.4. Limitation on Certain Transactions.

(a) Neither Covenant Party will enter into any Strategic Transaction or engage in any Business Combination unless an Officer's Certificate is delivered to each of the D&B Parties and IMS certifying that, after giving pro forma effect to such Strategic Transaction or Business Combination, the Fixed Charge Coverage Ratio of the Covenant Parties on a combined basis, or, in the case of a Business Combination, the Fixed Charge Coverage Ratio on a combined basis of the continuing corporation (or, in the case of a Business Combination that is a sale, conveyance, assignment, transfer, lease or other disposition of all or substantially all of the properties and assets of the Covenant Party, the purchaser, recipient, assignee, transferee or lessor of such properties and assets) following such Business Combination (the Covenant Party engaging in such Strategic Transaction or Business Combination, or such continuing corporation, purchaser, recipient, assignee, transferee or lessor, as the case may be, and the other Covenant Party referred to individually as the "Relevant Party") and of the other Covenant Party, in each case calculated as set forth in Section 3.4(c) below, is greater than 2 to 1, which Officer's Certificate shall be accompanied by a letter from each Relevant Party's independent accountants confirming that such Fixed Charge Coverage Ratio has been correctly calculated in accordance with the requirements hereof and based on financial statements prepared in accordance with GAAP.

(b) In addition, neither Covenant Party will enter into any Strategic Transaction or engage in any Business Combination involving aggregate consideration (including, without limitation, the assumption of indebtedness) in excess of $50 million, unless the following conditions are met:

(i) the Board of Directors of such Covenant Party has received an opinion in writing from an internationally recognized investment bank chosen by such Covenant Party, to the effect that such transaction is fair, from a financial point of view, to the Covenant Party, a copy of which opinion shall have been delivered to the D&B Parties and IMS; and

(ii) in the case of a disposition of a business, an equity interest in a business or the disposition of assets comprising a business, which disposition does not involve the simultaneous equity investment in a joint venture entity which is the acquirer of such business, equity investment or assets, the consideration therefor is limited to cash, Cash Equivalents and/or marketable securities which are freely tradable on a public stock exchange or inter-dealer quotation system.

(c) The Fixed Charge Coverage Ratio shall be for the most recent four consecutive full fiscal quarters ending prior to such certification, taken as one period, and calculated on the assumptions that (i) any Indebtedness to be incurred in connection with an acquisition or Business Combination had been incurred on the first day of such four-quarter period, (ii) any other Indebtedness incurred, repaid or retired by the Relevant Party and its Subsidiaries since the beginning of such four-quarter period was incurred, repaid or retired, as the case may be, on the first day of such four-quarter period (except that, in making such computation, the amount of Indebtedness under any revolving credit facility outstanding on the date of such calculation shall be computed based on (A) the average daily balance of such Indebtedness during such four-quarter period or during such shorter included period when such facility was outstanding or (B) if such facility was created after the end of such four-quarter period, the average daily balance of such Indebtedness during the period from the date of creation of such facility to the date of the calculation) and (iii) any acquisition or disposition by the Relevant Party or its Subsidiaries of any assets out of the ordinary course of business or of any company, division or line of business, in each case since the first day of its last four completed fiscal quarters, had been consummated on such first day of such four-quarter period.

(d) For purposes of the foregoing, any issuance or transfer of any Capital Stock of a wholly owned Subsidiary which is a holder of obligations of a Subsidiary that constitute Indebtedness shall be deemed an incurrence of Indebtedness if such issuance or transfer results in such wholly owned Subsidiary no longer being a wholly owned Subsidiary.

SECTION 3.5. Limitation on Reincorporation. Neither Covenant Party will, without the prior written consent of each D&B Party and IMS, re-incorporate or re-organize its corporate form under the laws of a jurisdiction other than the State of Delaware unless such Covenant Party, as re-incorporated or re-organized under the laws of such other jurisdiction, could take substantially the same actions without stockholder (or equity holder) consent or approval under the laws of such jurisdiction and such Covenant Party’s then applicable certificate of incorporation, charter, by-laws or other organizational documents as such Covenant Party could take without stockholder consent or approval under the General Corporation Law of the State of Delaware and such Covenant Party’s certificate of incorporation and by-laws as of the date hereof, and counsel reasonably satisfactory to the D&B Parties and IMS confirms the foregoing in writing to the reasonable satisfaction of the D&B Parties and IMS.

SECTION 3.6. Subordination. No Covenant Party shall (i) directly or indirectly, create, incur, assume or guaranty, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness to any Related Person except any such Indebtedness which is expressly subordinated and made junior to the payment and performance in full of all of the obligations of the Covenant Parties under this Agreement in accordance with a subordination agreement in the form of Exhibit 3.6 hereto (the “Subordination Agreement”) or (ii) permit any of its Subsidiaries to directly or indirectly, create, incur, assume or guaranty, suffer to exist, or otherwise become or remain directly or indirectly liable with respect to any Indebtedness to any Related Person except any such Indebtedness which is expressly subordinated and made junior to the payment and performance in full of all of the obligations of the Covenant Parties under this Agreement to the same extent as set forth in the Subordination Agreement (such subordinated Indebtedness under clauses (i) and (ii), “Permitted Related Person Subordinated Indebtedness”).

SECTION 3.7. Notices. Each VNU Party shall deliver to each of the D&B Parties and IMS, promptly upon actual awareness of any Designated Officer becoming aware of any default by such VNU Party in the performance or observance of its obligations or covenants under this Agreement, an Officers’ Certificate specifying such default.

SECTION 3.8. VNU Covenants. VNU covenants and agrees to cause each Covenant Party and its respective Subsidiaries to fully comply with the covenants set forth in this Agreement.

SECTION 3.9. Representations and Warranties of the VNU Parties. To induce the D&B Parties and IMS to enter into this Agreement, each VNU Party represents and warrants, as of the date first written above, that the following statements are true and correct:

(a) Organization; Requisite Power and Authority. Each VNU Party (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in the preamble hereto, and (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement to which it is a party and to fulfill the obligations contemplated hereby.

(b) Due Authorization; Binding Obligation. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of each VNU Party. This Agreement has been duly executed and delivered by each VNU Party and is a legally valid and binding obligation of each VNU Party, enforceable against each VNU Party in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or by equitable principles relating to enforceability.

(c) Properties and Assets. New ACN and its Subsidiaries collectively own, hold, lease, are licensees of, or otherwise have the legal right to the use of, substantially all of the assets and properties (in each case, tangible and intangible) utilized in the business and operations of ACNielsen and New ACN and their respective Subsidiaries as presently conducted.

SECTION 3.10. Representations and Warranties of Donnelley. To induce the VNU Parties to enter into this Agreement, Donnelly represents and warrants, as of the date first written above, that the following statements are true and correct:

(a) Organization; Requisite Power and Authority. Donnelley (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in the preamble hereto, and (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement to which it is a party and to fulfill the obligations contemplated hereby.

(b) Due Authorization; Binding Obligation. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of Donnelley. This Agreement has been duly executed and delivered by Donnelley and is a legally valid and binding obligation of Donnelley, enforceable against Donnelley in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or by equitable principles relating to enforceability.

SECTION 3.11. Representations and Warranties of D&B. To induce the VNU Parties to enter into this Agreement, D&B represents and warrants, as of the date first written above, that the following statements are true and correct:

(a) Organization; Requisite Power and Authority. D&B (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in the preamble hereto, and (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement to which it is a party and to fulfill the obligations contemplated hereby.

(b) Due Authorization; Binding Obligation. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of D&B. This Agreement has been duly executed and delivered by D&B and is a legally valid and binding obligation of D&B, enforceable against D&B in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or by equitable principles relating to enforceability.

SECTION 3.12. Representations and Warranties of Moody’s. To induce the VNU Parties to enter into this Agreement, Moody’s represents and warrants, as of the date first written above, that the following statements are true and correct:

(a) Organization; Requisite Power and Authority. Moody’s (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in the preamble hereto, and (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement to which it is a party and to fulfill the obligations contemplated hereby.

(b) Due Authorization; Binding Obligation. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of Moody’s. This Agreement has been duly executed and delivered by Moody’s and is a legally valid and binding obligation of Moody’s, enforceable against Moody’s in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or by equitable principles relating to enforceability.

SECTION 3.13. Representations and Warranties of IMS. To induce the VNU Parties to enter into this Agreement, IMS represents and warrants, as of the date first written above, that the following statements are true and correct:

(a) Organization; Requisite Power and Authority. IMS (a) is duly organized, validly existing and in good standing under the laws of its jurisdiction of organization as identified in the preamble hereto, and (b) has all requisite power and authority to own and operate its properties, to carry on its business as now conducted and as proposed to be conducted, to enter into this Agreement to which it is a party and to fulfill the obligations contemplated hereby.

(b) Due Authorization; Binding Obligation. The execution, delivery and performance of this Agreement has been duly authorized by all necessary action on the part of IMS. This Agreement has been duly executed and delivered by IMS and is a legally valid and binding obligation of IMS, enforceable against IMS in accordance with its terms, except as may be limited by bankruptcy, insolvency, reorganization or by equitable principles relating to enforceability.

ARTICLE IV
JOINT DEFENSE PROVISIONS

SECTION 4.1. Counsel.

(a) ACNielsen shall select counsel of record to represent ACNielsen Company, Donnelley (as successor to Old D&B), D&B, Moody’s, NMR (as successor to Cognizant) and IMS (which reference to IMS shall be deemed to include I.M.S. International, Inc.), in the Lawsuit (“Counsel of Record”). Counsel of Record shall communicate and consult with all Parties in connection with the defense of the Lawsuit, but shall be subject to direction only from ACNielsen.

(b) Each of the D&B Parties and IMS shall be free to retain at their own expense counsel to monitor the Lawsuit (“D&B Parties Counsel” and “IMS Counsel” respectively, and, collectively, “Party Counsel”). Counsel of Record shall communicate and consult with any Party Counsel. Neither Party Counsel nor any other counsel retained by any of the D&B Parties or IMS shall appear in the Lawsuit unless such Party shall have become a Withdrawing Party under Section 4.1(g) hereof.

(c) Counsel of Record and Party Counsel shall make available to other such counsel and any Party confidential oral information and memoranda or other documents related to the defense of the Lawsuit (“Defense Materials”) to the extent that they deem it prudent and consistent with the objectives of the joint defense provided for herein.

(d) The Defense Materials obtained by counsel for any Party shall remain confidential and shall be protected from disclosure to any third party except as provided herein.

(e) Counsel of Record and Party Counsel shall not disclose Defense Materials or the contents thereof to anyone except their respective clients, expert witnesses and consultants, counsel for other Parties to the Agreement, or attorneys, paralegals and staff within their firms, without first obtaining the consent of Counsel of Record and Party Counsel whose clients (or who themselves) may be entitled to claim any privilege with respect to such materials. All persons permitted access to Defense Materials shall be specifically advised that the Defense Materials are privileged and subject to the terms of this Agreement.

(f) If any other person or entity requests or demands, by subpoena or otherwise, any Defense Materials from any of the Parties or their counsel, the recipient of the request will immediately notify Counsel of Record and Party Counsel, and each such counsel shall take all steps necessary to permit the assertion of all applicable rights and privileges with respect to such Defense Materials and shall cooperate fully with such other counsel in any proceeding relating to the disclosure of Defense Materials.

(g) If any of the D&B Parties or IMS decides that it no longer wishes to engage in a joint defense (a “Withdrawing Party”), the Withdrawing Party immediately shall notify the other Parties to this Agreement in writing and shall simultaneously return to Counsel of Record the originals and all copies of Defense Materials provided to it. In such event, the Withdrawing Party shall no longer have any rights to obtain Defense Materials, but shall retain other rights and obligations set forth in the Agreement, including the obligations to share Defense Costs pursuant to and on the terms of Section 4.1(h) below, unless otherwise specifically provided. The Withdrawing Party shall lose its right to indemnification by the VNU Parties under this Agreement. ACNielsen shall have the absolute right to continue to be represented in all matters in and affecting the Lawsuit by Counsel of Record. All Parties expressly agree that Counsel of Record may continue to represent Parties that have not withdrawn, and all Parties agree and acknowledge that receipt and use of Defense Materials by Counsel of Record or any action taken or knowledge gained by Counsel of Record in connection with its representation of a Withdrawing Party shall not be grounds for disqualification of Counsel of Record as counsel for any other Party to this Agreement in the Lawsuit.

(h) It is the intention of the Parties that ACNielsen, the D&B Parties (collectively, in accordance with their separate agreements) and NMR and IMS (collectively, in accordance with their separate agreement) shall each pay one third of the costs of defending the Lawsuit, including attorneys' fees, expert witness and consultants' fees and all other costs and expenses for the defense of the Lawsuit (or prosecution of any counterclaim to the Lawsuit) duly incurred by ACNielsen or Counsel of Record ("Defense Costs"). ACNielsen shall forward to each of the D&B Parties, IMS and NMR, on a monthly basis, a statement of the Defense Costs incurred in the preceding month (the "Defense Costs Statement") and the D&B Parties (collectively, in accordance with their separate agreements) and NMR and IMS (collectively, in accordance with their separate agreement) shall each reimburse ACNielsen for one third of such Defense Costs promptly thereafter. Any such Defense Costs that are not so reimbursed to ACNielsen within thirty (30) days following receipt of the Defense Costs Statement by the Party required to reimburse such Defense Costs to ACNielsen under this Section 4.1(h) shall accrue interest on the amount of such Defense Costs at the Prime Rate payable by such Party, commencing on the later of (i) the 31st day following such receipt or (ii) the date of actual payment of such costs by ACNielsen, and continuing until (but not including) the date of payment in full of such Defense Costs together with all interest accrued thereon. In the event that ACNielsen obtains reimbursement for Defense Costs from IRI or the Trust in accordance with a certain Settlement Agreement and Release between ACNielsen and IRI, dated as of July 1, 1985, or for any other reason, the VNU Parties shall repay to each of the D&B Parties (collectively) and NMR and IMS (collectively) one third of such reimbursement up to the extent of their respective payments of Defense Costs pursuant to the Original Agreement or this Agreement.

(i) No Party may enter into any settlement agreement in the Lawsuit without express consent in writing of the other Parties, except that ACNielsen may, if it so chooses, enter into a full and final settlement of the Lawsuit provided that the VNU Parties pay the full amount of the settlement and obtain a full and final release of each of the D&B Parties, IMS, I.M.S. International, Inc. and their respective Subsidiaries with respect to the Lawsuit. Such a settlement shall impose no obligation on any other Party to this Agreement without such Party's express consent in writing. In the event that any Party receives a settlement proposal with respect to the Lawsuit, it shall immediately communicate the substance of the offer to the Counsel of Record.

(j) All other Parties to this Agreement shall cooperate with ACNielsen in the defense of the Lawsuit and the prosecution of any counterclaim therein, including providing, or causing to be provided, records or witnesses as soon as practicable after receipt of any request therefor from or on behalf of ACNielsen.

ARTICLE V
MISCELLANEOUS

SECTION 5.1. Complete Agreement; Construction. This Agreement, including the Exhibits hereto, shall constitute the entire agreement between the Parties with respect to the subject matter hereof and shall supersede all previous negotiations, commitments and writings with respect to such subject matter, including the Original

Agreement. In the event and to the extent that there is a conflict between the provisions of this Agreement and the provisions of the 1996 Distribution Agreement, this Agreement shall control.

SECTION 5.2. Ancillary Agreements. This Agreement is not intended to address, and should not be interpreted to address, the matters specifically and expressly covered by the Ancillary Agreements.

SECTION 5.3. Counterparts. This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more such counterparts have been signed by each of the Parties and delivered to the other Parties.

SECTION 5.4. Notices. All notices and other communications hereunder shall be in writing and hand delivered or mailed by registered or certified mail (return receipt requested) or sent by any means of electronic message transmission with delivery confirmed (by voice or otherwise) to the Parties at the following addresses (or at such other addresses for a Party as shall be specified by like notice) and will be deemed given on the date on which such notice is received:

If to any VNU Party, to:

VNU
770 Broadway, 8th Floor
New York, NY 10003
Facsimile: (646) 654-5060
Attention: Chief Legal Officer

with a copy to:

Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022
Facsimile: (212) 848-7179
Attention: Henry Weisburg, Esq.

If to Donnelley, to:

R.H. Donnelley Corporation
1001 Winstead Dr.
Cary, NC 27513
Facsimile: (919) 297-1518
Attention: General Counsel

If to D&B, to:

The Dun & Bradstreet Corporation
103 John F. Kennedy Parkway
Short Hills, NJ 07078
Facsimile: (866) 561-5154
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Facsimile: (212) 735-2000
Attention: David Fox, Esq.

If to Moody's, to:

Moody's Corporation
99 Church Street
New York, NY 10007
Facsimile: (212) 553-0084
Attention: General Counsel

with a copy to:

Skadden, Arps, Slate, Meagher & Flom LLP
Four Times Square
New York, NY 10036
Facsimile: (212) 735-2000
Attention: David Fox, Esq.

If to IMS, to:

IMS Health Incorporated
1499 Post Road
Fairfield, CT 06824
Facsimile: (203) 319-4552
Attention: General Counsel

with a copy to:

Sullivan & Cromwell LLP
125 Broad Street
New York, NY 10004
Facsimile: (212) 558-3588
Attention: Alan J. Sinsheimer, Esq.

SECTION 5.5. Waivers. The failure of any Party to require strict performance by any other Party of any provision in this Agreement will not waive or diminish that Party's right to demand strict performance thereafter of that or any other provision hereof.

SECTION 5.6. Amendments. This Agreement may not be modified or amended except by an agreement in writing signed by each of the Parties hereto.

SECTION 5.7. Assignment. This Agreement shall not be assignable, in whole or in part, directly or indirectly, by any Party without the prior written consent of the other Parties, and any attempt to assign any rights or obligations arising under this Agreement without such consent shall be void.

SECTION 5.8. Successors and Assigns. The provisions to this Agreement shall be binding upon, inure to the benefit of and be enforceable by the Parties and their respective successors and permitted assigns.

SECTION 5.9. Termination. This Agreement may not be terminated except by an agreement in writing signed by all Parties.

SECTION 5.10. Third Party Beneficiaries. Except as provided in Article II, this Agreement is solely for the benefit of the Parties hereto and their respective Subsidiaries (including, with respect to IMS, Gartner Inc., Synavant, Inc. and Cognizant Technology Solutions Corporation, and their respective successors and assigns **,** provided, in the case of any such assigns, that VNU has granted its prior written consent to such assignment) and Affiliates and should not be deemed to confer upon third parties any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement.

SECTION 5.11. Title and Headings. Titles and headings to sections herein are inserted for the convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.

SECTION 5.12. GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO CONTRACTS MADE AND TO BE PERFORMED IN THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO ANY CHOICE OR CONFLICT OF LAW PROVISIONS OR RULES THEREOF.

SECTION 5.13. Consent to Jurisdiction.

(a) Each of the Parties irrevocably submits to the exclusive jurisdiction of (a) the Supreme Court of the State of New York, New York County, and (b) the United States District Court for the Southern District of New York, for the purposes of any suit, action or other proceeding arising out of this Agreement or any transaction contemplated hereby. Each of the Parties agrees to commence any action, suit or proceeding relating hereto either in the United States District Court for the Southern District of New York or if such suit, action or other proceeding may not be brought in such court for jurisdictional reasons, in the Supreme Court of the State of New York, New York County.

(b) Each of the Parties further agrees that service of any process, summons, notice or document by U.S. registered mail to such Party's respective address set forth above shall be effective service of process for any action, suit or proceeding in New York with respect to any matters to which it has submitted to jurisdiction in this Section, except that in the event that at any time VNU ceases to maintain an office in New York, New York, VNU hereby agrees to irrevocably appoint CT Corporation System (the "Process Agent"), with an office on the date hereof, at 111 Eight Avenue, 13th Floor, New York, New York 10011, United States, as its agent to receive on behalf of VNU service of copies of the summons and complaint and any other process which may be served in all such actions and proceedings. Such service may be made by mailing or delivering a copy of such process to VNU in care of the Process Agent at the Process Agent's above address, and VNU hereby irrevocably authorizes and directs the Process Agent to accept such service on behalf of VNU.

(c) Each of the parties irrevocably and unconditionally waives any objection to the laying of venue of any action, suit or proceeding arising out of this Agreement or the transactions contemplated hereby in (i) the Supreme Court of the State of New York, New York County, or (ii) the United States District Court for the Southern District of New York, and hereby further irrevocably and unconditionally waives and agrees not to plead or claim in any such court that any such action, suit or proceeding brought in any such court has been brought in an inconvenient forum.

(d) Concurrently with the execution and delivery of this Agreement, each of the D&B Parties and IMS have received opinions from De Brauw Blackstone Westbroek N.V., outside Dutch counsel for VNU, and Bird & Bird, outside Dutch counsel for D&B, each dated as of the date hereof, to the effect that, under Dutch law and VNU's organizational documents, this Agreement (i) has been duly authorized, executed and delivered by VNU, (ii) constitutes a valid and legally binding agreement of VNU and (iii) is enforceable against VNU in accordance with its terms. Copies of such opinions are attached as Exhibit 5.13 hereto.

SECTION 5.14. Severability. In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein and therein shall not in any way be affected or impaired thereby. The Parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions, the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

SECTION 5.15. Further Assurances. From time to time, as and when reasonably requested by any other Party hereto, each Party hereto shall execute and deliver, or cause to be executed and delivered, all such documents and instruments and shall take, or cause to be taken, all such further or other actions as such other Party may reasonably deem necessary or desirable to effect the purposes of this Agreement and the transactions contemplated hereunder.

SECTION 5.16. Specific Enforcement. The parties agree that irreparable damage would occur and that the parties would not have any adequate remedy at law in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that the parties shall be entitled to a preliminary and/or permanent injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement in any court set forth in Section 5.13, this being in addition to any other remedy to which they are entitled at law or in equity.

IN WITNESS WHEREOF the Parties have caused this Agreement to be executed and delivered as of the date first above written.

VNU, N.V.

By: /s/ F.J.G.M. Cremers

Name: F.J.G.M. Cremers
Title: Member of the Executive Board

VNU, Inc.

By: /s/ Michael E. Elias

Name: Michael E. Elias
Title: Vice President & Deputy General Counsel

ACNielsen Corporation

By: /s/ Michael E. Elias

Name: Michael E. Elias
Title: Vice President & Assistant Secretary

Nielsen Media Research, Inc.

By: /s/ James Ross

Name: James Ross
Title: Assistant Secretary

AC Nielsen (US), Inc.

By: /s/ Michael E. Elias

Name: Michael E. Elias
Title: Vice President & Assistant Secretary

R.H Donnelley Corporation

By: /s/ Robert J. Bush

Name: Robert J. Bush
Title: Vice President, General Counsel and Corporate Secretary

The Dun & Bradstreet Corporation

By: /s/ David Lewinter

Name: David Lewinter
Title: Senior Vice President and General Counsel

Moody's Corporation

By: /s/ John Goggins

Name: John Goggins
Title: Senior Vice President and General Counsel

IMS Health Incorporated

By: /s/ Robert H. Steinfeld

Name: Robert H. Steinfeld
Title: Senior Vice President, General Counsel and Corporate Secretary

EXHIBIT 31.1

**CHIEF EXECUTIVE OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, John Rutherfurd, Jr., Chief Executive Officer of Moody’s Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Moody’s Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ JOHN RUTHERFURD, JR.

John Rutherfurd, Jr.
Chairman and Chief Executive Officer
August 9, 2004

EXHIBIT 31.2

**CHIEF FINANCIAL OFFICER CERTIFICATION
PURSUANT TO SECTION 302 OF THE
SARBANES-OXLEY ACT OF 2002**

I, Jeanne M. Dering, Senior Vice President and Chief Financial Officer of Moody’s Corporation, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Moody’s Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ JEANNE M. DERING

Jeanne M. Dering
Senior Vice President and
Chief Financial Officer
August 9, 2004

EXHIBIT 32.1

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Moody's Corporation (the "Company") on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Rutherfurd, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOHN RUTHERFURD, JR.

John Rutherfurd, Jr.
Chairman and Chief Executive Officer
August 9, 2004

EXHIBIT 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Moody’s Corporation (the “Company”) on Form 10-Q for the period ended June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Jeanne M. Dering, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

(1) the Report fully complies with the requirements of section 13(a) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JEANNE M. DERING

Jeanne M. Dering
Senior Vice President and
Chief Financial Officer
August 9, 2004